HEAT BIOLOGICS, INC.
Form 4
July 27, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Schreiber Taylor

(Last) (First) (Middle)

C/O 801 CAPITOLA DRIVE

(Street)

DURHAM, NC 27713

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HEAT BIOLOGICS, INC. [HTBX]

3. Date of Earliest Transaction (Month/Day/Year)
07/23/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Scientific Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Options	$ 6.03	07/23/2015		A		35,000 (1)		07/23/2015	07/22/2025	Common Stock	35,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Schreiber Taylor C/O 801 CAPITOLA DRIVE DURHAM, NC 27713			Chief Scientific Officer	

Signatures

/s/ Taylor H. Schreiber, M.D., Ph.D.	07/27/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These options vest pro rata on a monthly basis over a four year period.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. t to incentive compensation awards and other compensation decisions made by it in the future. CONCLUSION The Compensation Committee believes these executive compensation policies serve the interests of the stockholders and the Company effectively. The Committee believes that the various pay vehicles offered are appropriately balanced to provide increased motivation for executives to contribute to the Company's overall future successes, thereby enhancing the value of the Company for the stockholders' benefit. COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS Lee Cooke J. Stephen Barley William H. Cunningham Thomas G. Loeffler 10 AUDIT COMMITTEE REPORT GENERAL The Audit Committee (the "Committee") consists of four directors, each of whom is independent as defined in the listing standards of Nasdaq. A brief description of the responsibilities of the Committee is set forth above, under the heading "Committees of the Board of Directors," and a copy of the Committee's Audit Charter is attached hereto as Appendix B. The Committee has reviewed and discussed the Company's audited financial statements for fiscal 2000 with management of the Company. The Committee has discussed with Arthur Andersen LLP, the Company's independent accountants, the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards). The Committee also has received the written disclosures and the letter from Arthur Andersen LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and has discussed with Arthur Andersen LLP its independence. Based on the review and the discussions referred to above, the Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 for filing with

the Securities and Exchange Commission. AUDIT FEES The aggregate fees billed by Arthur Andersen LLP for professional services required for the audit of the Company's annual financial statements for fiscal 2000 and the reviews of the interim financial statements included in the Company's Forms 10-Q's for that year were approximately $158,000. ALL OTHER FEES The aggregate fees billed for additional services rendered by Arthur Andersen LLP in fiscal 2000, other than the services described above, were approximately $312,000. In engaging Arthur Andersen LLP for these additional services, the Audit Committee considered whether the provision of these services was compatible with maintaining Arthur Andersen LLP's independence. AUDIT COMMITTEE OF THE BOARD OF DIRECTORS William H. Cunningham J. Stephen Barley Lee Cooke Thomas G. Loeffler 11 EXECUTIVE COMPENSATION The following Summary Compensation Table sets forth certain information concerning compensation of the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers for fiscal 2000. SUMMARY COMPENSATION TABLE LONG-TERM COMPENSATION AWARDS ----------------------- ANNUAL COMPENSATION RESTRICTED SECURITIES NAME AND PRINCIPAL FISCAL ------------------------ OTHER ANNUAL STOCK UNDERLYING ALL OTHER POSITION YEAR SALARY ($) BONUS ($) COMPENSATION ($) AWARDS($) OPTIONS (#) COMPENSATION ($) --------------------------- ---- ---------- --------- --------------- --------- ---------- ---------------- PARRIS H. HOLMES, JR. 2000 $389,421(1) $200,000(2) $54,235(3) 0 233,333 $502,760(4) CHAIRMAN OF THE BOARD AND 1999 $374,998(1) $200,000(2) $46,772(5) 0 300,000 $165,123(6) CHIEF EXECUTIVE OFFICER 1998 $372,113(1) 0 $51,533(7) 0 275,000 $150,014(8) KELLY E. SIMMONS(9) 2000 $ 57,885(10) $ 70,422(2) 0 0 0 $430,000(11) FORMER EXECUTIVE VICE PRESIDENT; 1999 $185,000 $145,422(2) $26,438(12) 0 200,000 $ 9,278(13) PRESIDENT & CHIEF OPERATING 1998 $185,961 0 $18,879 0 120,000 $ 7,152(14) OFFICER OF APTIS, INC. W. AUDIE LONG(15) 2000 $198,923(16) $133,162(2) $55,160(17) 0 31,000 $ 22,384(18) SENIOR VICE PRESIDENT AND 1999 $180,000 0 $14,457 0 85,000 $ 11,494(19) GENERAL COUNSEL 1998 $114,231(20) 0 0 0 30,000 $ 7,104(21) DAVID P. TUSA 2000 $181,731(22) 0 $56,495(23) 0 6,667 $ 12,125(24) SENIOR VICE PRESIDENT, 1999 $ 10,096(25) 0 $ 6,250 0 150,000 0 CHIEF FINANCIAL OFFICER AND 1998 N/A N/A N/A N/A N/A N/A CORPORATE SECRETARY PAUL L. GEHRI(26) 2000 $170,769(27) 0 $ 4,795 0 75,000 $ 13,032(28) FORMER SENIOR VICE PRESIDENT 1999 $163,125(29) 0 $ 4,418 0 125,000 $ 8,446(30) OF SALES & MARKETING 1998 $177,000(29) 0 $14,506 0 60,000 $ 7,258(31) ---------------------- (1) Represents total amount paid to Mr. Holmes for payrolls during the respective year indicated, based on an annual salary of $375,000 for 2000, 1999 and 1998. (2) Represents a bonus earned in the prior fiscal year but paid in the fiscal year indicated. (3) Includes $29,206 reimbursed to Mr. Holmes during fiscal 2000 for the payment of certain taxes. (4) Represents $9,781 in 401(k) Retirement Plan contributions, $20,771 in deferred compensation contributions and $172,000 in life insurance premiums made or paid on behalf of Mr. Holmes during fiscal 2000, and $300,208 received by Mr. Holmes during fiscal 2000 for surrender value of certain life insurance policies. (5) Includes $11,722 reimbursed to Mr. Holmes during fiscal 1999 for the payment of certain taxes. (6) Represents $5,000 in 401(k) Retirement Plan contributions, $16,872 in deferred compensation contributions and $143,251 in life insurance premiums made or paid on behalf of Mr. Holmes during fiscal 1999. (7) Includes $31,269 reimbursed to Mr. Holmes during fiscal 1998 for the payment of certain taxes. (8) Represents $5,000 in 401(k) Retirement Plan contributions, $18,660 in deferred compensation contributions and $126,354 in life insurance premiums made or paid on behalf of Mr. Holmes during fiscal 1998. (9) Mr. Simmons resigned from the Company January 7, 2000. (10) Represents total amount paid to Mr. Simmons for payrolls from October 1, 1999 through January 7, 2000 based on an annual salary of $215,000. (11) Represents total amount paid to Mr. Simmons for contractual severance in conjunction with his January 7, 2000 resignation. (12) Includes $5,062 reimbursed to Mr. Simmons during fiscal 1999 for the payment of certain taxes. (13) Represents $4,004 in 401(k) Retirement Plan contributions and $5,274 in deferred compensation contributions made on behalf of Mr. Simmons during fiscal 1999. (14) Represents $4,056 in 401(k) Retirement Plan contributions and $3,096 in deferred compensation contributions made on behalf of Mr. Simmons during fiscal 1998. (15) Mr. Long resigned from the Company January 15, 2001. (16) Represents total amount paid to Mr. Long for payrolls during fiscal 2000 based on an annual salary of $192,000; includes $6,753 paid to Mr. Long under the Disability Plan. 12 (17) Includes $40,471 reimbursed to Mr. Long during fiscal 2000 for the payment of certain taxes. (18) Represents $8,438 in 401(k) Retirement Plan contributions and $13,946 in deferred compensation contributions made on behalf of Mr. Long during fiscal 2000. (19) Represents $3,946 in 401(k) Retirement Plan contributions and $7,548 in deferred compensation contributions made on behalf of Mr. Long during fiscal 1999. (20) Amount shown reflects Mr. Long's salary from February 1, 1998, the beginning date of his employment with the Company, through the end of fiscal 1998. (21) Represents deferred compensation contributions made on behalf of Mr. Long during fiscal 1998. (22) Represents total amount paid to Mr. Tusa for payrolls during fiscal 2000 based on an annual salary of $175,000. (23) Includes $37,290 in relocation related reimbursments to Mr. Tusa during fiscal 2000. (24) Represents $4,375 in 401(k) Retirement Plan contributions and $7,750 in deferred compensation contributions made on behalf of Mr. Tusa during fiscal 2000. (25) Amount shown reflects Mr. Tusa's salary from August 30, 1999, the beginning date of his employment with the Company, through the end of fiscal 1999. (26) Mr. Gehri resigned as an officer of the Company and certain of its wholly owned subsidiaries on October 23, 2000, the effective date of the sale of the Company's Transaction Processing and Aptis Software divisions to Platinum Equity Holdings. (27) Represents total amount paid to Mr. Gehri for payrolls during fiscal 2000 based on an annual salary of $165,000. (28) Represents $7,632 in 401(k) Retirement Plan contributions and $5,400 in deferred compensation contributions made on behalf of Mr. Gehri during fiscal 2000. (29) Includes commissions paid to Mr. Gehri. (30) Represents $4,996 in 401(k) Retirement Plan contributions and $3,450 in deferred compensation contributions made on behalf of Mr. Gehri during fiscal 1999. (31) Represents $4,258 in 401(k) Retirement Plan contributions and $3,000 in deferred compensation contributions made on behalf of Mr. Gehri during fiscal 1998. STOCK OPTION GRANTS IN FISCAL 2000 The following table provides certain information related to options granted by the Company to the named executive officers during fiscal 2000 pursuant to the Employee Stock Plan. INDIVIDUAL GRANTS ---------------------------- POTENTIAL REALIZABLE % OF TOTAL VALUE AT ASSUMED NUMBER OF OPTIONS ANNUAL RATES OF STOCK SECURITIES GRANTED TO EXERCISE PRICE APPRECIATION FOR UNDERLYING EMPLOYEES OR BASE OPTION TERM(1) OPTIONS IN FISCAL PRICE EXPIRATION ------------------------- NAME GRANTED (#) 2000 ($/SH) DATE 5% ($) 10% ($) ------------------ ----------- ------------ ------ ------------ ------ -------- Parris H. Holmes, Jr. 200,000 13.1% $4.875 4/17/07 $396,923 $924,999 33,333 2.2% $3.3125 6/09/07 $ 44,950 $104,753 W. Audie Long(2) 25,000 1.6% $4.875 10/20/07 $ 49,615 $115,625 6,000 $3.3125 10/20/07 $ 8,091 $18,856 Kelly E. Simmons(3) 0 N/A N/A N/A N/A N/A David P. Tusa 6,667 0.4% $3.3125 6/09/07 $ 8,991 $ 20,952 Paul L. Gehri(4) 75,000 4.9% $4.25 7/27/07 $129,763 $302,404 ---------------- (1) The potential realizable value is calculated based on the term of the option and is calculated by assuming that the fair market value of Common Stock on the date of the grant as determined by the Board appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and the Common Stock received therefor is sold on the last day of the term of the option for the appreciated price. The 5% and 10% rates of appreciation are derived from the rules of the Commission and do not reflect the Company's estimate of future stock price appreciation. The actual value realized may be greater than or less than the potential realizable values set forth in the table. (2) Mr. Long resigned from the Company January 15, 2001. (3) Mr. Simmons resigned from the Company January 7, 2000. (4) Mr. Gehri resigned as an officer of the Company and certain of its wholly owned subsidiaries on October 23, 2000, the effective date of the sale of the Company's Transaction Processing and Aptis Software divisions to Platinum Equity Holdings. 13 AGGREGATED OPTION EXERCISES IN FISCAL 2000 AND FISCAL YEAR-END OPTION VALUES The following table provides information related to options of New Century exercised by the named executive officers of the Company during fiscal 2000 and the number and value of New Century options held at September 30, 2000. NUMBER OF SECURITIES VALUE(2) OF UNEXERCISED UNDERLYING UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END(#) OPTIONS AT FY-END($) SHARES ACQUIRED VALUE ------------------------ -------------------------- NAME UPON OPTION EXERCISE(#) REALIZED($)(1) EXERCISABLE UNEXERCISABLE EXERCISABLE UNEXERCISABLE ---------------------- ---------------------- -------------- ----------- ------------- ----------- ------------- Parris H. Holmes, Jr. 0 0 810,833 179,167 0 0 W. Audie Long(3) 0 0 190,000 106,000 0 0 Kelly E. Simmons(4) 0 0 0 0 0 0 David P. Tusa 0 0 50,000 106,667 0 0 Paul L. Gehri(5) 0 0 137,916 208,750 0 0 ---------------- (1) Market value of the underlying securities at exercise date, minus the exercise price. (2) Market value of the underlying securities at September 29, 2000 ($3.1875), minus the exercise price. (3) Mr. Long resigned from the Company January 15, 2001. (4) Mr. Simmons resigned from the Company January 7, 2000. (5) Mr. Gehri resigned as an officer of the Company and certain of its wholly owned subsidiaries on October 23, 2000, the effective date of the sale of the Company's Transaction Processing and Aptis Software divisions to Platinum Equity Holdings. EMPLOYEE BENEFIT PLANS NEW CENTURY EQUITY HOLDINGS CORP. 401(K) RETIREMENT PLAN The Company maintains the New Century Equity Holdings Corp. 401(k) Retirement Plan, formerly known as the Billing Concepts Corp. 401(k) Retirement Plan (the "New Century 401(k) Retirement Plan"). Participation in the New Century 401(k) Retirement

Plan is offered to eligible employees of New Century Equity Holdings Corp. or its subsidiaries (collectively, the "Participants"). Generally, all employees of New Century Equity Holdings Corp. or its subsidiaries who are 21 years of age and who have completed six months of service during which they worked at least 500 hours are eligible for participation in the New Century 401(k) Retirement Plan. The New Century 401(k) Retirement Plan is a 401(k) plan, a form of defined contribution plan, which provides that Participants generally may make voluntary salary deferral contributions, on a pre-tax basis, of between 1% and 15% of their base compensation in the form of voluntary payroll deductions up to a maximum amount as indexed for cost-of-living adjustments ("Voluntary Contributions"). During calendar year 1999, the Company made matching contributions equal to 50% of the first 6% of a Participant's compensation contributed as salary deferral. Beginning January 1, 2000, the Company made matching contributions equal to 100% of the first 5% of a Participant's compensation contributed as salary deferral. The Company may from time to time make additional discretionary contributions at the sole discretion of the Company's Board of Directors. The discretionary contributions, if any, are allocated to Participants' accounts based on a discretionary percentage of the Participants' respective salary deferrals. The New Century 401(k) Retirement Plan was amended effective January 1, 2000 to provide that Participants immediately vest as to 100% of all contributions made by the Company. Participants have always been 100% vested in their Voluntary Contributions. Service with USLD prior to the spin-off of the Company from USLD in August 1996, and service with acquired companies prior to acquisition by the Company, was credited under the New Century 401(k) Retirement Plan for purposes of vesting as well as eligibility to participate. 14 Effective October 23, 2000, upon closing of the sale of the Company's Transaction Processing and Aptis Software divisions to Platinum Equity Holdings, the Company's obligations under the Billing Concepts Corp. 401(k) Retirement Plan were transferred to Platinum Equity Holdings and the Company adopted the New Century Equity Holdings Corp. 401 (k) Plan (the "New Century 401(k) Plan"). Participation in the New Century 401(k) Plan is offered to eligible employees of the Company or its subsidiaries on substantially the same terms as the Billing 401(k) Retirement Plan. 1996 EMPLOYEE COMPREHENSIVE STOCK PLAN The Company has adopted the New Century Equity Holdings Corp. 1996 Employee Comprehensive Stock Plan, formerly known as the Billing Concepts Corp. 1996 Employee Comprehensive Stock Plan (the "Employee Stock Plan"). The Employee Stock Plan provides for (i) the grant of incentive stock options ("ISOs") under Section 422 of the Internal Revenue Code, (ii) the grant of non-qualified stock options that do not qualify under Section 422 of the Code ("NQSOs") and (iii) the award of shares of restricted stock of the Company. Under the terms of the Employee Stock Plan, 14,500,000 shares of Common Stock have been reserved for the granting of options and awards of restricted stock. At December 31, 2000, options to purchase 8,951,141 shares, and 35,600 shares of restricted stock, were outstanding under the Employee Stock Plan. If any option or award granted under the Employee Stock Plan terminates, expires or is surrendered as to any shares, new options or awards may thereafter be made covering such shares. The Employee Stock Plan is administered by the Compensation Committee, which is comprised of "disinterested persons" appointed by the Board, currently Lee Cooke, J. Stephen Barley, William H. Cunningham and Thomas G. Loeffler. The Employee Stock Plan grants broad authority to the Compensation Committee to grant options or award restricted shares to full-time employees and officers of the Company and its subsidiaries (estimated to total 40 eligible individuals at December 31, 2000) selected by the Compensation Committee, to determine the number of shares subject to options or awards and to provide for the appropriate periods and methods of exercise and requirements regarding the vesting of options and awards of restricted shares. The option price per share with respect to each option shall be determined by the Compensation Committee, but shall in no instance be less than the par value of the shares subject to the option. In addition, the option price for ISOs may not be less than 100% of the fair market value of the Common Stock on the date of grant. An ISO may be granted to a participant only if such participant, at the time the option is granted, does not own stock possessing more than 10% of the total combined voting power of all classes of Common Stock of the Company or a subsidiary. The preceding restriction shall not apply if at the time the option is granted the option price is at least 110% of the fair market value of the Common Stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date of grant. The aggregate fair market value (determined as of the time the option is granted) of the stock with respect to which ISOs are exercisable for the first time by a participant in any calendar year (under all plans of New Century Equity Holdings Corp. and of any parent or subsidiary) shall not exceed $100,000. There is no price requirement for NQSOs, other than that the option price must exceed the par value of the Common Stock. The Compensation Committee may permit the option purchase price to be payable by transfer to New Century Equity Holdings Corp. of Common Stock owned by the option holder with a fair market value at the time of exercise equal to the option purchase price. The Employee Stock Plan permits the Compensation Committee to make awards of restricted shares of Common Stock that are subject to a designated period during which such shares of Common Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, which period shall not be less than one (1) year nor more than two (2) years from the date of grant. As a condition to any award, the Compensation Committee may require an employee to pay to the Company the amount (such as the par value of such shares) required to be received by New Century in order to assure compliance with applicable state law. Any award for which such requirement is established shall automatically expire if not purchased in accordance with the Compensation Committee's requirements within 60 days after the date of grant. The Compensation Committee may, at any time, reduce the restricted period with respect to any outstanding shares of restricted stock and any retained distributions with respect thereto awarded under the Employee Stock Plan. Shares of restricted stock awarded under the Employee Stock Plan shall constitute issued and outstanding shares of Common Stock for all corporate purposes. Each employee has the right to vote the restricted stock held by such employee, to receive and retain all cash dividends and distributions thereon and exercise all other rights, powers and privileges of a holder of Common Stock with respect to such restricted stock, subject to certain exceptions. Unless otherwise provided in the agreement relating to an award, upon the occurrence of a change of control, as defined in the Employee Stock Plan, all restrictions imposed on the employee's restricted stock and any retained distributions shall automatically terminate and lapse and the restricted period shall terminate; provided, however, that if the change of control occurs within six months of the date of grant, the restrictions and the restricted period shall terminate on the six-month anniversary of the date of grant. 15 1999 COMMSOFT ACQUISITION STOCK OPTION PLAN In December 1998, in connection with the Company's acquisition of Communications Software Consultants, Inc. ("CommSoft"), the Company adopted the New Century Equity Holdings Corp. 1999 CommSoft Acquisition Stock Option Plan, formerly known as the Billing Concepts Corp. 1999 CommSoft Acquisition Stock Option Plan (the "CommSoft Employee Stock Plan"). The CommSoft Employee Stock Plan provides for the grant of NQSOs. Under the terms of the CommSoft Employee Stock Plan, 173,153 shares of Common Stock were reserved for the granting of options. At December 31, 2000, options to purchase 38,791 shares were outstanding under the CommSoft Employee Stock Plan. If any option or award granted under the CommSoft Employee Stock Plan terminates, expires or is surrendered as to any shares, new options or awards may thereafter be made covering such shares. The CommSoft Employee Stock Plan is administered by the Compensation Committee, which is comprised of "disinterested persons" appointed by the Board, currently Lee Cooke, J. Stephen Barley, William H. Cunningham and Thomas G. Loeffler. The CommSoft Employee Stock Plan granted authority to the Compensation Committee to grant options to those employees of CommSoft holding stock options to purchase shares of Class B common stock, $.001 par value, of CommSoft on the closing date of the Company's acquisition of all of the issued and outstanding capital stock of CommSoft under the terms of the Plan of Merger and Acquisition Agreement (the "Merger Agreement"). The Merger Agreement closed on December 18, 1998, at which date 88 former employees of CommSoft were eligible for grants under the CommSoft Employee Stock Plan. In addition, the Committee has the authority to determine methods of exercise. The option price per share with respect to each option was determined by a formula set forth in the Merger Agreement. The Compensation Committee may permit the option purchase price to be payable by transfer to New Century Equity Holdings Corp. of Common Stock owned by the option holder with a fair market value at the time of exercise equal to the option purchase price. 1996 EMPLOYEE STOCK PURCHASE PLAN The Company has adopted the New Century Equity Holdings Corp. 1996 Employee Stock Purchase Plan, formerly known as the Billing Concepts Corp. 1996 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"). The Employee Stock Purchase Plan allows employees of the Company and its subsidiaries to purchase Common Stock at regular intervals by means of wage and salary deferrals on a tax-favored basis. The Employee Stock Purchase Plan, which is intended to qualify under Section 423 of the Code, is administered by the Employee Stock Purchase Plan Committee, which is appointed by the Board of Directors. The committee consists of at least three (3) persons who need not be members of the Board of Directors. The committee supervises the administration and enforcement of the Employee Stock Purchase Plan, and all questions of interpretation or application of the Employee Stock Purchase Plan are determined in the sole discretion of the committee. All decisions made by the committee are final, conclusive and binding on all of the participants of the Employee Stock Purchase Plan and the Company. Every employee of the Company and its subsidiaries is eligible to participate in the Employee Stock Purchase Plan on a voluntary basis with the exception of (i) employees who have not completed at least six months of continuous service with New Century as of the applicable enrollment date and (ii) employees who would, immediately upon enrollment, own directly or indirectly, or hold purchase rights, options or rights to acquire, an aggregate of 5% or more of the total combined voting power or value of all outstanding shares of all classes of the Company or any subsidiary. To participate in the Employee Stock Purchase Plan, eligible employees must enroll in the Employee Stock Purchase Plan and authorize payroll deductions pursuant to the Employee Stock Purchase Plan. Approximately 26 employees were eligible to participate under the Employee Stock Purchase Plan at December 31, 2000. Enrollment in the Employee Stock Purchase Plan constitutes a grant by the Company to the participant of the right to purchase shares of Common Stock. The aggregate number of shares that may be issued under the Employee Stock Purchase Plan may not exceed 2,000,000 shares of New Century Common Stock, subject to adjustment as provided in the Employee Stock Purchase Plan. The purchase price per share is the lesser of (i) 85% of the fair market value of the Common Stock on the first day of the applicable participation period or (ii) 85% of the fair market value of the Common Stock on the last day of such participation period. The number of shares purchased is determined by dividing the total amount of payroll deductions withheld from a participant's paychecks during a participation period by the purchase price. The aggregate of monthly payroll deductions cannot exceed $10,625 for each participant in any six-month participation period. At the end of each offering period, the applicable number of shares of Common Stock is automatically purchased for the participant. 16 EXECUTIVE COMPENSATION DEFERRAL PLAN The Company has adopted the New Century Equity Holdings Corp. Executive Compensation Deferral Plan, formerly known as the Billing Concepts Corp. Executive Compensation Deferral Plan (the "Executive Deferral Plan"). Participation in the Executive Deferral Plan is offered to certain key employees occupying management positions and/or certain other highly compensated employees of the Company who are determined by the Board, from time to time, to be eligible to participate in the Executive Deferral Plan ("Executive Deferral Participants"). As of December 31, 2000, there were 14 participants in the Executive Deferral Plan. The Executive Deferral Plan is a deferred compensation plan that provides that Executive Deferral Participants generally may make voluntary salary deferral contributions, on a pre-tax basis, in equal monthly amounts of up to 100% of his or her base compensation ("Voluntary Deferral Contribution"). In addition, from January 1, 2000 to June 30, 2000, the Company made certain matching contributions with respect to each Voluntary Deferral Contribution (the "Deferral Contribution") equal to the lesser of (i) the Voluntary Deferral Contribution or (ii) that amount together with the Voluntary Deferral Contribution that actuarially determined would yield a 10-year annuity equal to 50% of the New Century Executive Deferral Participant's compensation payable at age 65, with a minimum contribution of $3,000. Beginning July 1, 2000, the Executive Deferral Plan was amended to provide for matching contributions by the Company of 100% of the Voluntary Deferral Contribution up to a maximum monthly contribution of $1,500, except that the maximum monthly Company matching contribution for the chief executive officer is $2,500. However, the Company reserves the right, at any time, to decrease the Deferral Contribution or provide no Deferral Contribution whatsoever for any plan year. Until July 1, 2000, the Company credited each New Century Executive Deferral Participant's plan account with interest from time to time at the rate declared by the Company in accordance with the Executive Deferral Plan. Effective July 1, 2000, the Executive Deferral Plan was amended to provide that Participants may invest Voluntary Deferral Contributions and Deferral Contributions in mutual funds selected by the Company from time to time. The Company made approximately $195,870 in Company Deferral Contributions to this plan during fiscal 2000. Until July 1, 2000, the Executive Deferral Plan provided that unless terminated for cause, Executive Deferral Participants were annually vested in 33% of any Deferral Contribution beginning with the New Century Executive Deferral Participant's first anniversary of service and becoming 100% vested after the third anniversary of service or upon a change in control of the Company. Service with USLD prior to the spin-off of the Company from USLD in August 1996, and service with acquired companies prior to acquisition by the Company, was credited under the Executive Deferral Plan for purposes of vesting. Effective July 1, 2000, the Executive Deferral Plan was amended to provide that Participants immediately vest as to 100% of Deferral Contributions. Benefits generally are payable to a New Century Executive Deferral Participant (or his or her beneficiaries) upon retirement, disability, termination of employment (other than for cause) or death, in each case as provided in the Executive Deferral Plan. EXECUTIVE QUALIFIED DISABILITY PLAN The Company has adopted the New Century Equity Holdings Corp. Executive Qualified Disability Plan, formerly known as the Billing Concepts Corp. Executive Qualified Disability Plan (the "Disability Plan"). The Disability Plan provides long-term disability benefits for certain key employees occupying management positions and/or certain other highly compensated employees of the Company who are determined by the Board, from time to time, to be eligible to participate. Benefits under the Disability Plan are provided directly by the Company based on definitions, terms and conditions contained in the Disability Plan documents. Benefits under the Disability Plan supplement benefits provided under the Company's insured long-term disability plan. During fiscal 2000, $6,753 in benefits was paid to a participant under the Disability Plan. EMPLOYMENT AGREEMENTS AND CHANGE-OF-CONTROL ARRANGEMENTS The Company entered into an employment agreement with Mr. Parris H. Holmes, Jr. in January 1999. The agreement provides for a five-year term, subject to automatic extension for an additional one year on each one-year anniversary of the agreement unless terminated early as provided therein, including termination by the Company for "cause" (as defined in the employment agreement) or termination by Mr. Holmes for "good reason" (as defined in the employment agreement). This employment agreement provides for an annual, calendar year base salary of $375,000 and an incentive bonus at the discretion of the Committee. This agreement also provides for company-paid automobile allowance, club memberships and other benefits and the Company has a practice of grossing up such benefits for taxes. 17 In May 1998 and March 2000, the Company entered into a split dollar life insurance arrangement with trusts beneficially owned by Mr. Holmes, pursuant to which the Company pays the premiums on insurance policies that provide a total death benefit of approximately $5.54 million. The Company also provides a tax gross-up on the amount of imputed income recognized by Mr. Holmes under this arrangement. Upon the death of Mr. Holmes or the cancellation of the split-dollar agreement, the Company is entitled to receive repayment of its premiums paid under the policies out of any cash value or death benefits payable under the policy. In 1991 and 1994, the Company purchased "key man" life insurance policies on the life of Mr. Holmes. In January 2000, the Company canceled such policies. Mr. Holmes received $300,208, which represents the cash value of such policies plus an amount to compensate him for the imposition of related taxes. The Company entered into an employment agreement with Mr. W. Audie Long in January 1999. Beginning October 4, 1999, Mr. Long's annual base salary under the employment agreement was $192,000. The Company did not renew Mr. Long's employment agreement when it expired January 15, 2001. The Company and Mr. Long entered into a severance agreement in which the Company has retained the services of Mr. Long on an independent contractual basis for one year for a fee of $136,000. The employment agreement of Mr. Long provided that if the Company terminated his employment without cause (including the Company's election to not extend the employment agreement at any renewal date) or if they resign their employment for "good reason" (as defined in his employment agreement), he would be entitled to the following severance: a lump-sum payment in the amount equal to two times his then effective annual base salary ($384,000), continuation of his benefits through the unexpired term of his agreement or two years if the Company elects not to extend the employment agreement at any renewal date, and vesting of all outstanding stock options, which options would remain exercisable through October 2007. The Company entered into an employment agreement with Mr. Kelly E. Simmons in January 1999. The agreement provided for a two-year term, subject to automatic extension for an additional two-year term on each anniversary of the agreement unless terminated early as provided therein. This employment agreement provided for an annual, calendar year base salary of $215,000 and an incentive bonus at the discretion of the Committee. Mr. Simmons resigned from the Company in January 2000. The employment agreement of Mr. Simmons provided that if the Company terminated his employment without cause or if he resigned his employment for "good reason" (as defined in his employment agreement), he would be entitled to the following severance: a lump-sum payment in the amount equal to two times his then effective annual base salary ($430,000), continuation of his benefits through the unexpired term of his agreement, and vesting of all outstanding stock options. The Company entered into an employment agreement with Mr. David P. Tusa in August 1999. This agreement expires one year from its effective date, subject to extension for successive one-year terms unless the Company elects not to extend the agreement. The employment agreement is subject to early termination as provided therein, including termination by the Company for "cause" (as defined in the employment agreement) or termination by Mr. Tusa for "good reason" (as defined in the employment agreement). Mr. Tusa's annual base salary under the employment agreement is $175,000 Beginning November 1, 2000, Mr. Tusa's annual base salary under the employment agreement is $192,500. The employment agreement also provides for incentive bonuses at the discretion of the Compensation Committee. Billing Concepts, Inc., entered into an employment agreement with Mr. Paul L. Gehri in August 2000. This agreement provides for a one-year term, subject to automatic extension unless and until terminated by either the Company or Mr. Gehri upon not less than 120 days' prior written notice. The employment agreement is subject to early termination as provided therein and provided for an annual base salary of $165,000, payment of certain dues on behalf of Mr. Gehri and incentive bonuses at the discretion of the Compensation Committee. Beginning October 23, 2000, after the sale of the operating divisions to Platinum Equity Holdings, Mr.

Gehri's annual base salary is $172,200. The employment agreements of Messrs. Holmes and Tusa provide that if the Company terminates their employment without cause (including the Company's election to not extend the employment agreement at any renewal date) or if they resign their employment for "good reason" (as defined in their employment agreements), they will be entitled to the following severance: Mr. Holmes - a lump-sum payment in the amount equal to his base salary for the unexpired portion of the five-year term of his agreement then in effect and without giving effect to any further extension (a maximum of approximately $1,875,000), continuation of his benefits through the unexpired term of his agreement and vesting of all outstanding stock options, which options would remain exercisable for the longer of the remainder of the exercise period established under the option agreement or three years following the date of termination; and Mr. Tusa - a lump-sum payment in the amount equal to his then effective annual base salary $192,500. 18 The employment agreement with Mr. Holmes provides that if, at any time within 12 months of a change of control, he ceases to be an employee of the Company (or its successor) by reason of (i) termination by the Company (or its successor) without "cause" (as defined in the employment agreements) or (ii) voluntary termination by the employee for "good reason upon change of control" (as defined in the employment agreements), in addition to the severance stated above, he will be entitled to receive (a) an additional payment, if any, that, when added to all other payments received in connection with a change of control, will result in the maximum amount allowed to be paid to an employee without triggering an excess parachute payment (as defined by the Internal Revenue Code), and (b) a payment or payments equaling the amount of any taxes and interest imposed on any payment or distribution by the Company to the employee upon termination under (i) or (ii) above that constitutes an excess parachute payment. The employment agreement with Mr. Tusa provides that if, at any time within 12 months of a change of control, he ceases to be an employee of the Company (or its successor) by reason of (i) termination by the Company (or its successor) without "cause" (as defined in the employment agreement) or (ii) voluntary termination by the employee for "good reason upon change of control" (as defined in the employment agreement), he will be entitled to receive a lump-sum payment in the amount equal to his then effective annual base salary, continuation of his benefits for one year from such termination and vesting of all outstanding stock options. A change of control is deemed to have occurred if (i) more than 30% of the combined voting power of the Company's then outstanding securities is acquired, directly or indirectly, (ii) at any time during the 24-month period after a tender offer, merger, consolidation, sale of assets or contested election, or any combination of such transactions, at least a majority of the Company's Board of Directors shall cease to consist of "continuing directors" (meaning directors of the Company who either were directors prior to such transaction or who subsequently became directors and whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two thirds of the directors then still in office who were directors prior to such transaction), (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement of sale or disposition by the Company of all or substantially all of the Company's assets. COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION Thomas G. Loeffler, Director of the Company, served on the Compensation Committee from October 1, 1999 to present. On January 20, 2000 and August 1, 2000, William H. Cunningham and Lee Cooke joined the Compensation Committee, respectively. Mr. Cooke served as President and Chief Executive Officer and as a member of the Board of Directors of the Company's wholly owned subsidiary, CUville.com, Inc., until July 2000, when the assets of CUville.com, Inc. were sold to a nonaffiliated entity. Mr. Cooke is a member of the Board of Directors of Sharps Compliance Corp. and is Chairman of the Board and Chief Executive Officer of Habitek International, Inc. d/b/a U.S. Medical Systems, Inc. Mr. Holmes, Chairman of the Board and Chief Executive Officer of the Company, also serves on the Board of Directors of Sharps Compliance Corp. 19 PERFORMANCE GRAPH The Company's Common Stock has been traded publicly since August 5, 1996. Prior to such date, there was no established market for its Common Stock. The following Performance Graph compares the Company's cumulative total stockholder return on its Common Stock from August 5, 1996 (the first day which the Common Stock was publicly traded), through December 31, 2000, with the cumulative total return of the S&P 500 Index and a peer group over the same period. The peer group is comprised of seven hundred fifty (750) data processing and computer companies with similar standard industrial classification codes as the Company, and whose stock is traded on the Nasdaq market. The graph assumes that the value of the investment in the Company's Common Stock and each index was $100 at August 5, 1996, and that all dividends were reinvested. COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN SUMMARY DATA FOR CHART AUG-96 SEP-96 SEP-97 SEP-98 SEP-99 SEP-00 DEC-00 --- The Company $ 100.00 $ 104.71 $ 164.71 $ 65.88 $ 23.53 $ 14.40 $ 9.55 S&P 500 Stocks $ 100.00 $ 104.52 $ 146.97 $ 160.78 $ 205.27 $ 233.60 $ 215.19 Nasdaq Computer and Data Processing Stocks $ 100.00 $ 109.38 $ 148.03 $ 191.85 $ 325.77 $ 409.50 $ 253.33 The foregoing graph is based on historical data and is not necessarily indicative of future performance. This graph shall not be deemed to be "soliciting material" or to be "filed" with the Commission or subject to Regulations 14A and 14C under the Exchange Act or to the liabilities of Section 18 under the Exchange Act. SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Section 16(a) of the Exchange Act requires that the Company's directors, executive officers and persons who own more than 10% of a registered class of the Company's equity securities file with the Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Directors, executive officers and greater than 10% stockholders are required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on a review of the copies of the Section 16(a) reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended September 30, 2000, all Section 16(a) filing requirements applicable to its directors, executive officers and greater than 10% beneficial owners were complied with. 20 RELATED TRANSACTIONS On April 5, 2000, the Board of Directors of the Company approved a restricted stock grant to the Chief Executive Officer of the Company. The restricted stock consists of 400,000 shares of Princeton common stock, which vests on April 30, 2003. The Company expenses the fair market value of the restricted stock grant over the three-year period ending April 30, 2003. The Company recognized $0.3 million during fiscal 2000 as compensation expense related to the stock grant. The Company estimates it will recognize $0.5 million as compensation expense related to the stock grant in 2001. Princeton eCom Corporation is a privately held company of which the Company owns approximately 42.5%. During fiscal 2000, the Company chartered a jet airplane from a company associated with Parris H. Holmes, Jr., Chairman of the Board and Chief Executive Officer of the Company. Under the terms of the charter agreement, the Company was obligated to pay annual minimum fees of $500,000 over the five years ending March 31, 2003 for such charter services. During the fiscal year ended September 30, 2000, the Company paid approximately $615,000 in fees related to this agreement. During the fourth quarter of 2000, the Company terminated this contract with no future obligations. On December 16, 1999, the Company made a $130,000 loan, with interest accruing at the rate of 8% per annum, to W. Audie Long, who served as Senior Vice President, General Counsel and Corporate Secretary of the Company until his resignation on January 15, 2001. The largest aggregate amount of indebtedness outstanding for this loan (including interest) during fiscal 2000 was $133,162. This principal and accrued interest, aggregating $3,162, were forgiven by the Company in April 2000 in lieu of a cash bonus earned in fiscal 1999. PROPOSALS FOR NEXT ANNUAL MEETING Any proposals of holders of Common Stock intended to be presented pursuant to Rule 14a-8 under the Exchange Act ("Rule 14a-8") at the Annual Meeting of Stockholders to be held in 2002 must be received by the Company, addressed to the Secretary of the Company at 10101 Reunion Place, Suite 450, San Antonio, Texas 78216, between October 8, 2001 and November 7, 2001 to be considered for inclusion in the Company's proxy statement and form of proxy related to such meeting. After November 7, 2001, notice to the Company of a stockholder proposal submitted otherwise than pursuant to Rule 14a-8 will be considered untimely, and the person named in proxies solicited by the Board of Directors of the Company for its 2002 Annual Meeting of Stockholders may exercise discretionary authority voting power with respect to any such proposal as to which the Company does not receive timely notice. The Company's Amended and Restated Bylaws establish an advance notice procedure with regard to stockholder proposals to be brought before an annual or special meeting of stockholders (the "Business Procedure"). The Business Procedure provides that stockholder proposals must be submitted in writing in a timely manner in order to be considered at any annual or special meeting. To be timely, notice must be received by New Century (i) in the case of an annual meeting, not less than 90 days nor more than 120 days prior to the date of New Century's proxy materials for the previous year's annual meeting, or (ii) in the case of a special meeting, not less than the close of business on the seventh day following the day on which notice of such meeting is first given to stockholders. Under the Business Procedure, notice relating to a stockholder proposal must contain certain information about such proposal and about the stockholder who proposes to bring the proposal before the meeting, including (A) the name and address of the stockholder who intends to make the proposal and the text of the proposal to be introduced; (b) the class and number of shares of stock held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and as of the date of such notice; and (c) a representation that the stockholder intends to appear in person or by proxy at the meeting to introduce the proposal or proposals, specified in the notice. No business shall be conducted at a meeting except business brought before the annual meeting in accordance with the procedures set forth above. If the Chairman or other officer presiding at a meeting determines that the stockholder proposal was not properly brought before such meeting, such proposal will not be introduced at such meeting. Nothing in the Business Procedure will preclude discussion by any stockholder of any proposal properly made or brought before an annual or special meeting in accordance with the above-mentioned procedures. 21 The provisions of the Business Procedure will be subject to rules of the Commission with respect to stockholder proposals so long as the Common Stock remains quoted on the Nasdaq National Market or is listed on a national securities exchange or is otherwise required to be registered under the Exchange Act. Any stockholder proposal that is submitted in compliance with such rules and is required by such rules to be set forth in the proxy statement of the Company will be set forth despite the requirements of the Amended and Restated Bylaws of the Company with respect to the timing and form of notice for such proposals. OTHER MATTERS As of the date of this Proxy Statement, management does not intend to present any other items of business and is not aware of any matters to be presented for action at the Annual Meeting other than those described above. However, if any other matters should come before the Annual Meeting, it is the intention of the persons named as proxies in the accompanying proxy card to vote in accordance with their best judgment on such matters. By order of the Board of Directors, /s/ DAVID P. TUSA David P. Tusa CORPORATE SECRETARY San Antonio, Texas April 2, 2001 22 APPENDIX "A" In accordance with Rule 14a-3(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as adapted to the "Summary Annual Report" procedure, this Appendix and the information contained herein is provided solely for the information of stockholders and the Securities and Exchange Commission. Such information shall not be deemed to be "soliciting material" or to be "filed" with the Commision or subject to Regulations 14A and 14C under the Exchange Act (except as provided in Rule 14a-3) or to the liabilities of Section 18 of the Exchange Act. FORM 10-K The Company's annual report on Form 10-K for the year ended September 30, 2000, has been filed with the Securities and Exchange Commission. A copy of this report may be obtained without cost by writing the Company's investor relations department at 10101 Reunion Place, Suite 450, San Antonio, Texas 78216, or calling (210) 302-0444. THE INFORMATION CONTAINED IN THIS APPENDIX CONTAINS CERTAIN "FORWARD-LOOKING" STATEMENTS AS SUCH TERM IS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND INFORMATION RELATING TO THE COMPANY AND ITS SUBSIDIARIES THAT ARE BASED ON THE BELIEFS OF THE COMPANY'S MANAGEMENT AS WELL AS ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY'S MANAGEMENT. WHEN USED IN THIS REPORT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT" AND "INTEND" AND WORDS OR PHRASES OF SIMILAR IMPORT, AS THEY RELATE TO THE COMPANY OR ITS SUBSIDIARIES OR COMPANY MANAGEMENT, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS REFLECT THE CURRENT RISKS, UNCERTAINTIES AND ASSUMPTIONS RELATED TO CERTAIN FACTORS INCLUDING, WITHOUT LIMITATIONS, COMPETITIVE FACTORS, GENERAL ECONOMIC CONDITIONS, CUSTOMER RELATIONS, RELATIONSHIPS WITH VENDORS, THE INTEREST RATE ENVIRONMENT, GOVERNMENTAL REGULATION AND SUPERVISION, SEASONALITY, DISTRIBUTION NETWORKS, PRODUCT INTRODUCTIONS AND ACCEPTANCE, TECHNOLOGICAL CHANGE, CHANGES IN INDUSTRY PRACTICES, ONE-TIME EVENTS AND OTHER FACTORS DESCRIBED HEREIN AND IN OTHER FILINGS MADE BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION. BASED UPON CHANGING CONDITIONS, SHOULD ANY ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ANY UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED OR INTENDED. THE COMPANY DOES NOT INTEND TO UPDATE THESE FORWARD-LOOKING STATEMENTS. A-1 MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS MARKET INFORMATION The Company's common stock, par value

$0.01 per share (the "Common Stock"), is quoted on the Nasdaq National Market ("Nasdaq") under the symbol "NCEH." The table below sets forth the high and low bid prices for the Common Stock from October 1, 1998, through December 15, 2000, as reported by the Nasdaq National Market. These price quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions. HIGH LOW ---- --- Fiscal Year Ended September 30, 1999: 1st quarter $17 $10 2nd quarter $11 7/8 $7 15/16 3rd quarter $14 $9 7/8 4th quarter $11 3/16 $4 1/2 Fiscal Year Ending September 30, 2000: 1st quarter $8 3/16 $3 7/8 2nd quarter $9 15/16 $5 3rd quarter $7 5/8 $3 1/8 4th quarter $4 7/8 $2 27/32 Fiscal Year Ending September 30, 2001: 1st quarter (through December 15, 2000) $3 5/16 $1 11/32 STOCKHOLDERS At December 15, 2000, there were 36,745,460 shares of Common Stock outstanding, held by 474 holders of record. The last reported sales price of the Common Stock on December 15, 2000, was $2 5/8 per share. DIVIDEND POLICY The Company has never declared or paid any cash dividends on the Common Stock. The Company presently intends to retain all earnings for the operation and development of its business and does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. A-2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company, the Notes thereto and the other financial information included elsewhere in this Report. For purposes of the following discussion, references to yearly periods refer to the Company's fiscal years ended September 30. GENERAL The Company's revenues are derived primarily from its Internet division. FIData, Inc. ("FIData"), acquired in November 1999, provides Internet-based automated loan approval products to the financial services industries. The Company has an equity interest in Princeton eCom Corporation ("Princeton"), which offers electronic bill presentment and payment services via the Internet and telephone. The Company purchased additional equity interests in Princeton during the second and fourth quarters of 2000. As of September 30, 2000, the Company's ownership percentage in Princeton approximated 42.5%. During the second quarter of 2000, the Company purchased a 22% equity interest in CoreINTELLECT, Inc. ("Core"), which provides Internet-based business-to-business products for the acquisition, classification, retention and dissemination of business-critical knowledge and information. On October 23, 2000, the Company completed the sale of the Transaction Processing ("Transaction Processing") and Software ("Software") divisions to Platinum Equity Holdings ("Platinum") of Los Angeles, California (the "Transaction"). Total consideration consisted of $52.5 million in cash and a royalty, assuming achievement of certain revenue targets associated with the divested divisions, of up to $20 million. In addition, the Company will receive payments totaling $7.5 million for consulting services provided to Platinum over the twenty-four month period following the Transaction. Through the Transaction Processing division, the Company provided billing clearinghouse and information management services in the United States to the telecommunications industry. Through its subsidiary, Aptis, Inc., the Software division developed, licensed and supported convergent billing systems for telecommunications and Internet service providers and provides direct billing outsourcing services. The operating results of the Internet division are segregated and reported as continuing operations while the Transaction Processing and Software operating results are segregated and reported as discontinued operations in the accompanying Consolidated Statements of Operations in accordance with Accounting Principles Board Opinion No. 30. Prior period operating results and financial position have been restated to reflect continuing operations. The operating results of both continuing and discontinued operations are presented below. RESULTS OF CONTINUING OPERATIONS - INTERNET Total revenues for 2000 were $0.4 million compared to no revenues in 1999 and 1998. These revenues were derived from FIData's automated loan approval products and services. Gross profit margin of 15% reported for 2000 could increase in subsequent periods as a result of the release of the new version of FIData's core instant loan application approval product. Selling, general and administrative ("SG&A") expenses are comprised of all selling, marketing and administrative costs incurred in direct support of the business operations of the Company. SG&A expenses for 2000 were $9.3 million compared to $5.3 million in 1999 and $3.3 million in 1998. SG&A expenses increased from 1999 to 2000 primarily due to the acquisition of FIData in November 1999, as well as SG&A expenses incurred by efforts to develop a financial services website focused on the credit union industry. In the third quarter of 2000, the Company narrowed its credit union efforts to focus on FIData only. Corporate SG&A expenses increased from 1998 to 1999 primarily due to an increase in operating leases and overall increased expenditures. Research and development ("R&D") expenses are comprised of the salaries and benefits of the employees involved in development and related expenses. R&D expenses incurred during 2000 related to the development of the financial services website, which was suspended during the third quarter of 2000. Depreciation and amortization expenses are incurred with respect to certain assets, including computer hardware, software, office equipment, furniture, goodwill and other intangibles. Depreciation and amortization expense was $1.6 million in 2000 compared to $0.04 million in 1999 and 1998. The increase from 1999 to 2000 is attributable to the amortization of intangibles acquired in connection with the acquisition of FIData in November 1999. During 2000, the Company recognized $1.3 million of amortization expense related to these intangibles. A-3 Net other expense of $15.0 million in 2000 compares to $1.8 million in 1999 and $2.0 million in 1998. The increase in net other expense from 1999 was primarily due to an increase in the Company's equity interest in Princeton and the equity interest in Core, acquired in the second quarter of 2000. Net other expense in 2000 also includes $5.0 million of in-process research and development costs acquired in connection with the March 2000 equity investments in Princeton and Core. The Company's effective tax benefit was 15% in 2000, 28% in 1999 and 23% in 1998. The Company's effective tax benefit is lower than the federal statutory benefit due to certain deductions taken for financial reporting purposes that are not deductible for federal income tax purposes. Exclusive of nondeductible in-process research and development costs related to the acquisition of Princeton and Core and nondeductible losses from its Internet investments, the Company's effective tax benefit would have been 37.0% in 2000, 1999 and 1998. Loss from continuing operations was $26.6 million, $5.2 million and $4.1 million in 2000, 1999 and 1998, respectively. Loss from continuing operations for 2000 includes special charges of $7.1 million incurred in the first and second quarters. In the first quarter, special charges of $1.7 million represent in-process research and development costs acquired in connection with the acquisition of FIData in November 1999. In the second quarter, the Company recorded $5.0 million of in-process research and development costs acquired in connection with the equity investments in Princeton and Core. Loss from continuing operations for 1998 reflects special charges of $2.0 million during the fourth quarter of 1998, representing in-process research and development costs acquired in connection with the acquisition of 22% of the capital stock of Princeton. The increase in loss from continuing operations from year to year, exclusive of special charges, is attributable to higher SG&A, R&D and depreciation and amortization expenses. RESULTS OF DISCONTINUED OPERATIONS - TRANSACTION PROCESSING AND SOFTWARE The following table presents the operating results of the Company's Transaction Processing and Software divisions and as a percentage of related revenues for each year, which are reflected as discontinued operations in the Consolidated Statements of Operations. YEAR ENDED SEPTEMBER 30, ------------------------ ------------------------- ------------------------ (IN THOUSANDS, EXCEPT PERCENTAGES) 2000 1999 1998 ------------------------ ------------------------ ------------------------ Transaction Processing revenues......... $113,085 78.2% $135,403 74.7% $147,542 83.8% Software revenue....................... 31,522 21.8 45,921 25.3 28,481 16.2 -------- ------ -------- ------ -------- ------ Operating revenue...................... 144,607 100.0 181,324 100.0 176,023 100.0 Cost of revenues....................... 100,010 69.2 109,519 60.4 108,178 61.5 -------- ------ -------- ------ -------- ------ Gross profit........................... 44,597 30.8 71,805 39.6 67,845 38.5 Selling, general and administrative expenses............................ 28,830 19.9 28,333 15.6 19,696 11.2 Bad debt expense....................... 6,081 4.2 1,663 0.9 - - Research and development............... 11,763 8.1 5,725 3.2 3,277 1.9 Advance funding program income, net.. (1,856) (1.3) (3,673) (2.0) (7,793) (4.4) Depreciation and amortization expense.. 11,273 7.8 9,286 5.1 7,055 4.8 Special and other charges............... 1,216 0.8 1,529 0.8 - - -------- ------ -------- ------ -------- ------ (Loss) income from discontinued operations.......................... $(12,710) (8.8)% $ 28,942 16.0% $ 45,610 25.9% ======== ====== ======== ====== ======== ====== OPERATING REVENUES Transaction Processing fees charged by the Company included processing and customer service inquiry fees. Processing fees were assessed to customers either as a fee charged for each telephone call record or other transaction processed or as a percentage of the customer's revenue that was submitted by the Company to local exchange carriers for billing and collection. Processing fees also included any charges assessed to the Company by local exchange carriers for billing and collection services that were passed through to the customer. Customer service inquiry fees were assessed to customers either as a fee charged for each record processed by the Company or as a fee charged for each billing inquiry made by end users. A-4 Transaction Processing revenues decreased $22.3 million, or 16.5%, from 1999, and $12.1 million, or 8.2%, from 1998. The decrease in revenue from year to year was primarily attributable to an overall decrease in the number of call records processed. The number of call records processed for billing was negatively impacted by market pressures that have occurred in the long distance industry. Management has continued to take actions in order to mitigate the effects of "slamming and cramming" issues on the call record volumes of its current customer base. Consequently, the number of call records processed for billing decreased from the prior years. Telephone call record volumes were as follows: YEAR ENDED SEPTEMBER 30, ------------------------ 2000 1999

1998 ---- ---- ---- (IN MILLIONS) Direct dial long distance services .... 457.8 599.0 612.6 Operator services .... 76.3 97.2 134.6 Enhanced billing services...................... 3.5 4.7 11.4 Billing management services.................... 204.0 230.4 329.1 In addition to license and maintenance fees charged by Software for the use of its billing software applications, fees were charged on a time and materials basis for software customization and professional services. Software revenues also included retail sales of third-party computer hardware and software. Software revenues decreased $14.4 million, or 31.4%, from 1999 compared to increased revenues of $17.4 million, or 61.2%, from 1998. The decrease in revenues from 1999 was primarily attributable to lower sales of billing systems in 2000, which corresponded to a decrease in software license fees. The increase in revenues from 1998 was primarily attributable to the increase in license and maintenance fees. COST OF REVENUES For the Transaction Processing division, cost of revenues included billing and collection fees charged by local exchange carriers as well as all costs associated with the customer service organization, including staffing expenses and costs associated with telecommunications services. Billing and collection fees charged by the local exchange carriers included fees that were assessed for each record submitted and for each bill rendered to its end-user customers. For the Software division, cost of revenues included the cost of third-party computer hardware and software sold, and the salaries and benefits of software support, technical and professional service personnel who generated revenue from contracted services. The decrease in cost of revenues from 1999 is primarily related to higher billing and collection costs charged by the local exchange carriers. SELLING, GENERAL AND ADMINISTRATIVE SG&A expenses for 2000 were $28.8 million, compared to $28.3 million in 1999 and $19.7 million in 1998. The increase in SG&A in 1999 was primarily due to the Software division incurring a higher level of SG&A expenses to build an infrastructure consistent with expected growth. The SG&A expenses remained consistent in 2000 as the growth in the Software division declined. BAD DEBT EXPENSE Bad debt expense for 2000 was $6.1 million compared to $1.7 million in 1999 and $0 in 1998. Bad debt increased from 1999 primarily due to a $3.5 million charge taken in the third quarter of 2000. Related to the Software division, this charge is a result of the narrowing of various software product offerings, the refocusing of software development efforts and a reserve associated with a significant account. RESEARCH AND DEVELOPMENT R&D expenses were comprised of the salaries and benefits of the employees involved in software development and related expenses. The Company internally funded R&D activities with respect to efforts associated with creating new and enhanced Transaction Processing services products and products related to its convergent billing software platform for both telecommunication and Internet service providers. R&D expenses in 2000 were $11.8 million compared to $5.7 million in 1999 and $3.3 million in 1998. A-5 ADVANCE FUNDING PROGRAM INCOME AND EXPENSE Advance funding program income was $2.0 million in 2000 compared to $3.8 million in 1999 and $7.9 million in 1998. The decrease from year to year was primarily the result of a lower level of customer receivables financed under the Company's advance funding program. The quarterly average balance of purchased receivables was $20.4 million, $48.2 million and $83.0 million in 2000, 1999 and 1998, respectively. The advance funding program expense was $0.1 million in 2000, 1999 and 1998, due to the Company financing all customer receivables during 2000, 1999 and 1998 with internally generated funds rather than with funds borrowed through the Company's revolving credit facility. The expense recognized represents unused credit facility fees and was the minimum expense that the Company could have incurred during these years. INCOME FROM DISCONTINUED OPERATIONS Including special and other charges, loss from discontinued operations in 2000 was $12.7 million compared to income from discontinued operations in 1999 of $28.9 million and $45.6 million in 1998. The decrease in income from discontinued operations from year to year is attributable to lower revenues and higher operating expenses. LIQUIDITY AND CAPITAL RESOURCES The Company's cash balance for continuing operations was a $0.2 million deficit at September 30, 2000 compared to $0.2 million at September 30, 1999. These low balances are the result of funding for continuing operations coming from the discontinued operations. During 2000, the Company made cash investments of $39.6 million in Princeton and $6.0 million in Core. In connection with the Transaction, the Company received $52.5 million in October 2000. In addition, the Company may receive a royalty, assuming achievement of certain revenue targets associated with the divisions sold to Platinum, of up to $20 million. The Company also will receive payments totaling $7.5 million for consulting services provided to Platinum over the twenty-four month post-closing period. The Company's working capital position decreased to $3.0 million at September 30, 2000 from $73.6 million at September 30, 1999. On a pro forma basis and assuming the Transaction was completed on September 30, 2000, the Company's working capital position was $47.9 million. The decrease in working capital was primarily attributable to the equity investments in Princeton and Core and the acquisition of

FIData. Net cash provided by operating activities was $50.8 million in 2000, compared to net cash used by operating activities of $0.9 million in 1999 and net cash provided by operating activities of $1.1 million in 1998. The amounts primarily reflect net income from 1998 to 2000, exclusive of special charges. In December 1996, the Company secured a $50.0 million revolving line of credit facility with certain lenders primarily to draw upon to advance funds to its billing customers prior to collection of the funds from the local exchange carriers. This credit facility terminated on March 20, 2000. The Company currently does not have a need for a line of credit due to its significant cash resources from the Transaction. Capital expenditures amounted to approximately $50,000 in 2000 and related primarily to the purchase of computer equipment and software. The Company anticipates capital expenditures before acquisitions, if any, of approximately $0.1 million in fiscal 2001 largely related to expenditures for furniture, fixtures, leasehold improvements, computer software and hardware upgrades. The Company believes that it will be able to fund expenditures with internally generated funds and borrowings, but there can be no assurance that such funds will be available or expended. In September 1998, the Company acquired a 22% ownership position in Princeton, which is a privately held company headquartered in Princeton, New Jersey specializing in comprehensive electronic bill presentment and payment services via the Internet and telephone to financial institutions and large businesses. During 1999, the Company acquired additional shares of Princeton common stock, increasing the Company's ownership position to approximately 24% at September 30, 1999. The Company accounts for its investment in Princeton under the equity method. In November 1999, the Company completed the acquisition of FIData, a company located in Austin, Texas that provides Internet-based automated loan approval products to the financial services industries. The total consideration for the acquisition was approximately $4.2 million in cash and debt assumption and 1,100,000 shares of the Company's common stock. This acquisition has been accounted for as a purchase. Accordingly, the results of operations for FIData have been included in the Company's consolidated financial statements, and the shares related to the acquisition have been included in the weighted average shares outstanding for purposes of calculating net loss from continuing operations per common share since the date of acquisition. Approximately $7.4 million was recorded as goodwill and other intangibles and is included in Other assets. During the first quarter of 2000, the Company expensed $1.7 million of in-process R&D acquired in connection with this acquisition. A-6 In March 2000, the Company increased its ownership percentage in Princeton with an additional $33.5 million equity investment, which consisted of $27.0 million of convertible preferred stock and $6.5 million of common stock. In connection with this investment, the Company expensed $2.5 million of in-process R&D costs during 2000. In June 2000, under the terms of a Convertible Promissory Note, the Company advanced $5.0 million to Princeton. In the fourth quarter of 2000, the Convertible Promissory Note was converted into shares of Princeton preferred stock, which is convertible into 1,111,111 shares of Princeton common stock. The Company's ownership percentage in Princeton at September 30, 2000, was approximately 42.5%. The Company anticipates additional equity investments in Princeton as Princeton positions itself for further growth. In March 2000, the Company completed the purchase of a voting preferred stock investment of $6.0 million in Core, a Dallas, Texas-based company that develops and markets Internet-based business-to-business products for the acquisition, classification, retention and dissemination of business-critical knowledge and information. During 2000, the Company expensed $2.5 million of in-process R&D costs acquired in connection with this equity investment. The Company's operating cash requirements consist principally of funding of corporate and FIData expenses and capital expenditures. SEASONALITY The Company's Internet operations are not significantly affected by seasonality. EFFECT OF INFLATION Inflation has not been a material factor affecting the Company's business. General operating expenses such as salaries, employee benefits and occupancy costs are subject to normal inflationary pressures. NEW ACCOUNTING STANDARDS In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which provides the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues. Management has reviewed the SAB and believes that the accounting policies of the Company are appropriate and reflect the requirements of this SAB. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK The Company is exposed to interest rate risk primarily through its portfolio of cash equivalents and short-term marketable securities. The Company does not believe that it has significant exposure to market risks associated with changing interest rates as of September 30, 2000 because the Company's intention is to maintain a liquid portfolio to take advantage of investment opportunities. The Company does not use derivative financial instruments in its operations. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA The Consolidated Financial Statements of the Company and the related report of the Company's independent public accountants thereon are included in this report at the page indicated. Page ---- Report of Independent Public Accountants.. A-8 Consolidated Balance Sheets at September 30, 2000 and 1999... A-9 Consolidated Statements of Operations for the Years Ended September 30, 2000, 1999 and 1998................... A-10 Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2000, 1999 and 1998.......... A-11 Consolidated Statements of Cash Flows for the Years Ended September 30, 2000, 1999 and 1998................... A-12 Notes to Consolidated Financial Statements... A-13 A-7 REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS To the Board of Directors and Stockholders of New Century Equity Holdings Corp.: We have audited the accompanying consolidated balance sheets of New Century Equity Holdings Corp. (a Delaware corporation, formerly Billing Concepts Corp.) and subsidiaries as of September 30, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Century Equity Holdings Corp. and subsidiaries as of September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States. /s/ ARTHUR ANDERSEN LLP San Antonio, Texas November 22, 2000 A-8 NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES (FORMERLY BILLING CONCEPTS CORP. AND SUBSIDIARIES) CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA) ASSETS SEPTEMBER 30, ------------ 2000 2000 1999 ---- ---- ---- ACTUAL PRO FORMA ACTUAL (unaudited) Current assets: Cash and cash equivalents.. $ (156) $ 52,344 $ 239 Accounts receivable, net of allowance for doubtful accounts of $25 (2000) and $0 (1999).. 5,013 5,013 1,219 Prepaids and other... 224 224 99 Net current assets from discontinued operations (see Note 18)........................... 1,376 - 72,655 ----------- ----------- ----------- Total current assets.. 6,457 57,581 74,212 Property and equipment.. 912 912 321 Less accumulated depreciation.. (292) (292) (128) ----------- ----------- ----------- Net property and equipment.. 620 620 193 Other assets, net of accumulated amortization of $1,348 (2000) and $0 (1999)............. 6,784 6,784 441 Investments in equity affiliates.. 37,832 37,832 7,530 Net non-current assets from discontinued operations (see Note 18)........................ 45,410 - 31,041 ----------- ----------- ----------- Total assets.. $ 97,103 $ 102,817 $ 113,417 =========== =========== =========== LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Trade accounts payable... $ 74 $ 74 $ 99 Accrued liabilities.. 609 609 560 Deferred income taxes... 2,806 2,806 - Net current liabilities of discontinued operations..................................... - 6,157 - ----------- ----------- ----------- Total current liabilities... 3,489 9,646 659 Other liabilities.. 569 569 623 ----------- ----------- ----------- Total liabilities... 4,058 10,215 1,282 Commitments and contingencies (see Notes 6 and 13) Stockholders' equity: Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued or outstanding at September 30, 2000 or 1999... - - - Common stock, $0.01 par value, 75,000,000 shares authorized, 41,732,632 shares issued and outstanding at September 30, 2000; 37,378,216 shares issued and outstanding at September 30, 1999.. 417 417 374 Additional paid-in capital... 88,819 88,819 63,771 Retained earnings.. 5,792 5,349 48,213 Deferred compensation.. (82) (82) (223) Treasury stock, at cost, 504,800 shares at September 30, 2000; no shares at September 30, 1999.. (1,901) (1,901) - ----------- ----------- ----------- Total stockholders' equity... 93,045 92,602 112,135 ----------- ----------- ----------- Total liabilities and stockholders' equity...................................... $ 97,103 $ 102,817 $ 113,417 =========== =========== =========== The accompanying notes are an integral part of these consolidated financial statements. A-9 NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES (FORMERLY BILLING CONCEPTS CORP. AND SUBSIDIARIES) CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA) FOR THE YEAR ENDED SEPTEMBER 30, ------------------------------- 2000 1999 1998 ---- ---- ---- Operating revenues... $ 410 $ - $ - Cost of revenues.. 349 - - ----------- ---------- ---------- Gross profit.. 61 - - Selling, general and administrative expenses...................................... 9,317 5,315 3,301 Research and development... 3,247 63 - Depreciation and amortization expense.. 1,631 43 43 Special charges... 2,169 - - ----------- ---------- ---------- Loss from continuing operations.. (16,303) (5,421) (3,344) Other income (expense): Interest income.. 12 - - Interest expense.. (3) - - Equity in net loss of equity affiliates... (10,069) (1,809) - In-process research and development of equity affiliates......................... (4,965) - (2,000) Other, net... 34 - (3) ----------- ---------- ---------- Total other expense, net.. (14,991) (1,809) (2,003) ----------- ---------- ---------- Loss from continuing operations before income tax benefit......................... (31,294) (7,230) (5,347) Income tax benefit... 4,715 2,006 1,238 ----------- ---------- ---------- Net loss from continuing operations... (26,579) (5,224) (4,109) Discontinued operations: Net income (loss) from discontinued operations, net of income tax (expense) benefit of $229, ($13,585), and ($19,233), respectively...................... (6,565) 21,046 30,812 Net estimated loss from disposal of discontinued operations, including income tax expense of $5,629... (9,277) - - ----------- ---------- ---------- Net income (loss) from discontinued operations.............................. (15,842) 21,046 30,812 ----------- ---------- ---------- Net income (loss).. $ (42,421) $ 15,822 $ 26,703 =========== ========== ========== Basic and diluted: Net loss from continuing operations per common share .... $ (0.67) $ (0.14) $ (0.12) Net income (loss) from discontinued operations per common share................... (0.16) 0.57 0.86 Net estimated loss from disposal of discontinued operations per common share....... (0.23) - - ----------- ---------- ---------- Net income (loss) per common share... $ (1.06) $ 0.43 $ 0.74 =========== ========== ========== Weighted average common shares outstanding .... 39,909 37,116 35,844 =========== ========== ========== The accompanying notes are an integral part of these consolidated financial statements. A-10 NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES (FORMERLY BILLING CONCEPTS CORP. AND SUBSIDIARIES) CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 2000, 1999 AND 1998 (IN THOUSANDS) TREASURY STOCK COMMON STOCK ADDITIONAL -------------- ------------ PAID-IN RETAINED DEFERRED SHARES AMOUNT SHARES AMOUNT CAPITAL EARNINGS COMPENSATION TOTAL ------ ------ ------ ------ ------ -------- ----------- ----- Balances at September 30, 1997....... - $ - 34,889 $ 348 $ 42,905 $ 7,438 $ (950) $ 49,741 Issuance of common stock........... - - 47 1 716 - (170) 547 Exercise of stock options and warrants....................... - - 1,707 17 16,407 - - 16,424 Compensation expense............... - - - - - - 726 726 Net income........................ - - - - - 26,703 - 26,703 ----- --------- ------- ------ --------- --------- ------- ---------- Balances at September 30, 1998....... - - 36,643 366 60,028 34,141 (394) 94,141 Issuance of common stock........... - - 268 3 694 (1,750) - (1,053) Issuance of stock options.......... - - - - 84 - (84) - Exercise of stock options and warrants....................... - - 467 5 2,965 - - 2,970 Compensation expense............... - - - - - - 255 255 Net income........................ - - - - - 15,822 - 15,822 ----- --------- ------- ------ --------- --------- ------- ---------- Balances at September 30, 1999....... - - 37,378 374 63,771 48,213 (223) 112,135 Issuance of common stock........... - - 129 1 304 - (222) 83 Issuance of common stock for acquisitions.................... - - 4,177 42 24,702 - - 24,744 Issuance of stock options........... - - - - (31) - 31 - Exercise of stock options and warrants....................... - - 49 - 215 - - 215 Compensation expense............... - - - - (142) - 332 190 Purchase of treasury stock.......... (505) (1,901) - - - - - (1,901)

Net loss.......................... - - - - - (42,421) - (42,421) ----- --------- ------- ------ --------- --------- ------- ---------- Balances at September 30, 2000....... (505) $ (1,901) 41,733 $ 417 $ 88,819 $ 5,792 $ (82) $ 93,045 ===== ========= ======= ====== ========= ========= ======= ========== The accompanying notes are an integral part of these consolidated financial statements. A-11 NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES (FORMERLY BILLING CONCEPTS CORP. AND SUBSIDIARIES) CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) FOR THE YEAR ENDED SEPTEMBER 30, ------------------------------ 2000 1999 1998 ---- ---- ---- Cash flows from operating activities: Net loss from continuing operations... $ (26,579) $ (5,224) $ (4,109) Adjustments to reconcile net loss from continuing operations to net cash provided by (used in) operating activities: Depreciation and amortization... 1,631 43 43 Gain on disposition of equipment.. - - (114) Equity in net loss of equity affiliates... 10,069 1,809 - In-process research and development of equity affiliates............................ 4,965 - 2,000 Non cash special charges.. 2,136 - - Changes in operating assets and liabilities: (Increase) decrease in accounts receivable.. (3,794) 1,075 791 Increase in prepaids and other.. (125) (28) (54) Increase (decrease) in trade accounts payable..................................... (25) 54 1 Increase (decrease) in accrued liabilities.. 49 (195) 438 Increase (decrease) in deferred income taxes...................................... 2,806 - (51) Increase (decrease) in other liabilities.. (54) 246 141 ---------- ----------- --------- Net cash used in continuing operating activities.. (8,921) (2,220) (914) Net cash provided by discontinued operating activities.................................... 59,757 1,281 2,009 ---------- ----------- --------- Net cash provided by (used in) operating activities..................................... 50,836 (939) 1,095 Cash flows from investing activities: Purchases of property and equipment... (50) (8) - Purchase of Internet company, net of cash acquired...................................... (4,264) - - Investments in equity affiliates.. (45,580) (1,339) (10,000) Proceeds from sale of equipment... - - 538 Other investing activities.. (327) (129) (118) ---------- ----------- --------- Net cash used in investing activities... (50,221) (1,476) (9,580) Cash flows from financing activities: Proceeds from issuance of common stock.. 891 2,654 8,485 Purchases of treasury stock... (1,901) - - ---------- ----------- --------- Net cash (used in) provided by financing activities....................................... (1,010) 2,654 8,485 ---------- ----------- --------- Net (decrease) increase in cash and cash equivalents...................................... (395) 239 - Cash and cash equivalents, beginning of year.. 239 - - ---------- ----------- --------- Cash and cash equivalents, end of year.. $ (156) $ 239 $ - ========== =========== ========= The accompanying notes are an integral part of these consolidated financial statements. A-12 NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES (FORMERLY BILLING CONCEPTS CORP. AND SUBSIDIARIES) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2000, 1999 AND 1998 NOTE 1. BUSINESS ACTIVITY New Century Equity Holdings Corp. ("New Century"), formerly known as Billing Concepts Corp. ("BCC") and Billing Information Concepts Corp., was incorporated in the State of Delaware in 1996. BCC was previously a wholly owned subsidiary of U.S. Long Distance Corp. ("USLD") that, upon its spin-off from USLD, became an independent, publicly held company. New Century and its subsidiaries (collectively, the "Company") provide Internet-based automated loan approval products to the financial services industries, through its wholly owned subsidiary, FIData, Inc. ("FIData"). Through its Transaction Processing division, the Company provided billing clearinghouse and information management services ("Transaction Processing" services) in the United States to the telecommunications industry. Through its subsidiary, Aptis, Inc., the Company's Software division ("Software") developed, licensed and supported convergent billing systems for telecommunications and Internet service providers and provided direct billing outsourcing services. On October 23, 2000, the Company completed the sale of the Transaction Processing and Software divisions to Platinum Equity Holdings ("Platinum") of Los Angeles, California (the "Transaction"). Total consideration consisted of $52.5 million in cash and a royalty, assuming achievement of certain revenue targets associated with the divested divisions, of up to $20 million. In addition, the Company will receive payments totaling $7.5 million for consulting services provided to Platinum over the twenty-four month period subsequent to the Transaction. All financial information presented has been restated to reflect the Transaction Processing and Software divisions as discontinued operations as of September 30, 2000 in accordance with

Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations". The unaudited Pro Forma Consolidated Balance Sheet includes adjustments that give effect to the Transaction, as if the disposition had occurred on September 30, 2000. The pro forma adjustments reflect the elimination of the divested operations, the consideration received at the closing of the Transaction ($52.5 million) and estimated transaction costs. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION The accompanying consolidated financial statements include the accounts of New Century and its wholly and majority owned subsidiaries. The Company's 42.5% investment in the capital stock of Princeton eCom Corporation ("Princeton") and 22% investment in the stock of CoreINTELLECT, Inc. ("Core") (see Note 7) are accounted for using the equity method of accounting. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified for comparative purposes. ESTIMATES IN THE FINANCIAL STATEMENTS The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. REVENUE RECOGNITION POLICIES The Company recognizes revenue from its Internet division when loan approvals are processed by the Company. The Company recorded bad debt expense of $38,000, $0 and $0 and recorded bad debt write-offs of $25,000, $0 and $0 to its allowance for doubtful accounts for 2000, 1999 and 1998, respectively, for continuing operations. ACCOUNTS RECEIVABLE, NET Accounts receivable consists of receivables from FIData's operations, as well as a $4.8 million income tax receivable from the Internal Revenue Service. A-13 PROPERTY AND EQUIPMENT Property and equipment are stated at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to seven years. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is reflected in other income (expense) for that period. Expenditures for maintenance and repairs are charged to expense as incurred and major improvements are capitalized. OTHER ASSETS Other assets include goodwill and other intangibles related to the acquisition of FIData, which is being amortized over a five-year period (see Note 7). In addition, long-term deposits and security investments have been included in other assets. COMMON STOCK DIVIDEND On January 9, 1998, the Company announced that its Board of Directors declared a one-for-one common stock dividend. The dividend was distributed on January 30, 1998 to stockholders of record on January 20, 1998. No additional proceeds were received on the dividend date and all costs associated with the share dividend were capitalized as a reduction of additional paid-in capital. All share and per share information in the accompanying consolidated financial statements has been adjusted to give retroactive effect to the stock dividend. TREASURY STOCK In the first quarter of 2000, the Company's Board of Directors approved the adoption of a common stock repurchase program. Under the terms of the program, the Company may purchase up to a total of $10 million of Company common stock in the open market or in privately negotiated transactions. At September 30, 2000, the Company had repurchased $1.9 million, or 504,800 shares, of treasury stock under this program (see Note 19). FAIR VALUE OF FINANCIAL INSTRUMENTS The estimated fair values of the Company's cash and cash equivalents and all other financial instruments have been determined using appropriate valuation methodologies and approximate their related carrying values. INCOME TAXES Deferred tax assets and liabilities are recorded based on enacted income tax rates that are expected to be in effect in the period in which the deferred tax asset or liability is expected to be settled or realized. A change in the tax laws or rates results in adjustments to the deferred tax assets and liabilities. The effects of such adjustments are required to be included in income in the period in which the tax laws or rates are changed. NET INCOME PER COMMON SHARE Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," established standards for computing and presenting earnings per share ("EPS") for entities with publicly held common stock or potential common stock. SFAS No. 128 requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. Basic EPS excludes dilution and is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in earnings of the Company. As the Company had a net loss from continuing operations for the years ended September 30, 2000, 1999 and 1998, diluted EPS equals basic EPS, as potentially dilutive common stock equivalents are antidilutive in loss periods. If the Company would have had net income from continuing operations for the years ended September 30, 2000, 1999 and 1998, the denominator (weighted average number of common shares and common share equivalents outstanding) in the diluted EPS calculation would have been increased, through application of the treasury stock method, for each class of options for which the average market price per share of the Company's common stock exceeded the common stock equivalent's exercise price. For the year ended September 30, 2000, certain options to purchase 7,852,000 shares of common stock at prices ranging from $3.94 to $29.00 per share would not have been included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. There were additional options to purchase 317,000 shares of common stock at prices ranging from $1.98 to $3.63 per share, which were excluded as they were antidilutive for the net loss from continuing operations incurred for the year ended September 30, 2000. A-14 For the year ended September 30, 1999, certain options to purchase 5,535,000 shares of common stock at prices ranging from $5.71 to $29.00 per share would not have been included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. There were additional options to purchase 569,000 shares of common stock at prices ranging from $1.98 to $4.50 per share, which were excluded as they were antidilutive for the net loss from continuing operations incurred for the year ended September 30, 1999. For the year ended September 30, 1998, certain options to purchase 2,592,000 shares of common stock at prices ranging from $13.00 to $29.00 per share would not have been included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. There were additional options and warrants to purchase 1,644,000 shares of common stock at prices ranging from $3.15 to $12.38 per share which were excluded as they were antidilutive for the net loss from continuing operations incurred for the year ended September 30, 1998. NEW ACCOUNTING STANDARDS In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which provides the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues. Management has reviewed the SAB and believes that the accounting policies of the Company are appropriate and reflect the requirements of this SAB. STATEMENTS OF CASH FLOWS Cash payments and non-cash activities during the periods indicated were as follows: YEAR ENDED SEPTEMBER 30, 2000 1999 1998 ---- ---- ---- (IN THOUSANDS) Cash payments for income taxes... $ 2,000 $ 11,694 $ 9,587 Non cash investing and financing activities: Tax benefit recognized in connection with stock option exercises.................. 37 1,089 8,484 Assets acquired in connection with FIData acquisition............................. 4,966 - - Liabilities assumed in connection with FIData acquisition......................... 85 - - Common stock issued in connection with FIData acquisition......................... 4,881 - - For purposes of determining cash flows, the Company considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. NOTE 3. OTHER ASSETS Other assets are comprised of the following: SEPTEMBER 30, 2000 1999 ----------- ----------- (IN THOUSANDS) Goodwill - FIData, Inc., net of accumulated amortization of $1,348 in 2000 and $0 in 1999.. $ 6,016 $ - Long-term security investments.. 569 439 Other non-current assets... 199 2 -------- --------- Total other assets... $ 6,784 $ 441 ======== ========= A-13 NOTE 4. INVESTMENTS IN EQUITY AFFILIATES Investments in equity affiliates are comprised of the following: SEPTEMBER 30, 2000 1999 ----------- ----------- (IN THOUSANDS) Princeton: Investment in Princeton, beginning of year.................................... $ 7,530 $ 8,000 Cash investments... 39,580 1,339 In-process research and development costs..................................... (2,465) - Amortization and equity in net loss... (9,736) (1,809) Other.. (244) - -------- --------- Net equity investment in Princeton.. 34,665 7,530 Core: Cash investments... 6,000 - In-process research and development costs...................................... (2,500) - Amortization and equity in net loss... (333) - -------- --------- Net equity investment in Core.. 3,167 - -------- --------- Total investments in equity affiliates..................................... $ 37,832 $ 7,530 ======== ========= The excess of the Company's investments in equity affiliates over its underlying share of net assets is being amortized over a period of not more than ten years. NOTE 5. DEBT AND CAPITAL LEASE OBLIGATIONS In December 1996, the Company secured a $50.0 million revolving line of credit facility with certain lenders primarily to draw upon to advance funds to its billing customers prior to collection of the funds from the local exchange carriers. This credit facility terminated on March 20, 2000. The Company currently does not have a need for a line of credit due to its significant cash resources resulting from the Transaction described in Note 1. NOTE 6. LEASES The Company leases certain equipment and office space under operating leases. Rental expense was $3,000 for fiscal year 2000 and $0 for fiscal years 1999 and 1998. Future minimum lease payments under non-cancelable operating leases as of September 30, 2000 are $3,000 for fiscal year 2001 and $0 for all years thereafter. During November 2000, the Company entered into a lease agreement for office space, commencing in January 2001. Under this agreement, the Company will have future minimum lease payments of $103,000 for fiscal year 2001, $155,000 for fiscal years 2002 and 2003 and $52,000 for fiscal year 2004. NOTE 7. ACQUISITIONS In September 1998, the Company acquired 22% of the capital stock of Princeton for $10 million. Princeton is a privately held company located in Princeton, New Jersey specializing in electronic bill publishing utilizing the Internet and telephone. During 1999, the Company acquired additional shares of Princeton stock, increasing the Company's ownership position to approximately 24% at September 30, 1999. The Company accounts for this investment under the equity method of accounting. The excess of the Company's investment in equity affiliates greater than its underlying share of net assets is being amortized over ten years. In connection with the acquisition of the 22% ownership position in Princeton, the Company acquired certain intangible assets, including developed technology, customer relationships and goodwill. In connection with this allocation, $2.0 million was expensed as a charge for the purchase of in-process research and development. In performing this allocation, the Company considered, among other factors, Princeton's research and development projects in process at the date of acquisition. With regard to the in-process research and development projects, the Company considered factors such as the stage of development of the technology at the time of acquisition, the importance of each project to the overall development plan, alternative future use of the technology and the projected incremental cash flows from the projects when completed and any associated risks. The purchased in-process research and development focused on next generation Internet-based bill publishing and payment systems and solutions. The fair value assigned to these projects was approximately $2.0 million. Due to its specialized nature, the in-process research and development projects had no alternative future use, either for re-deployment elsewhere in the business or in liquidation, in the event the project failed. A-16 The Income Approach was the primary technique utilized in valuing the purchased research and development. The valuation technique employed in the appraisal was designed to properly reflect all intellectual property rights in the intangible assets, including core technology. The value of the developed technology was derived from direct sales of existing products, including their contribution to in-process research and development. In this way, value was properly attributed to the engineering know-how embedded in the existing product that will be used in developmental products. The appraisal also considered the fact that the existing know-how diminishes in value over time as new technologies are developed and changes in market conditions render current products and methodologies obsolete. The assumptions underlying the cash flow projections used were derived primarily from investment banking reports, historical results, company records and discussions with management. Revenue estimates for each in-process project were developed by management and based on an assessment of the industry. Cost of goods sold for each project are expected to be in line with historical results. The Capital Asset Pricing Model was used to determine the cost of capital (discount rate) for Princeton's in-process projects. Due to the technological and economic risks associated with the developmental projects, a discount rate of 20% was used to discount cash flows from the in-process projects. The Company believes that the foregoing assumptions used in the forecasts were reasonable at the time of the acquisition. No assurance can be given, however, that the underlying assumptions used to estimate sales, development costs or profitability, or the events associated with such projects, will transpire as estimated. For these reasons, actual results may vary from projected results. The most significant and uncertain assumptions relating to the in-process projects relate to the projected timing of completion and revenues attributable to each project. In November 1999, the Company completed the acquisition of FIData, a company located in Austin, Texas that provides Internet-based automated loan approval products to the financial services industries. Total consideration for the acquisition was approximately $4.2 million in cash and debt assumption and 1,100,000 shares of the Company's common stock. This acquisition has been accounted for as a purchase. Accordingly, the results of operations for FIData have been included in the Company's consolidated financial statements, and the shares related to the acquisition have been included in the weighted average shares outstanding for purposes of calculating net income (loss) per common share since the date of acquisition. Approximately $7.4 million was recorded as goodwill and other intangibles and is included in Other assets. During the first quarter of 2000, the Company expensed $1.7 million of in-process R&D acquired in connection with this acquisition. In March 2000, the Company increased its ownership percentage in Princeton with an additional $33.5

million equity investment, which consisted of $27.0 million of convertible preferred stock and $6.5 million of common stock. In connection with this investment, the Company expensed $2.5 million of in-process R&D costs during 2000. In June 2000, under the terms of a Convertible Promissory Note, the Company advanced $5.0 million to Princeton. During the fourth quarter of 2000, the Convertible Promissory Note was converted into shares of Princeton preferred stock, which is convertible into 1,111,111 shares of Princeton common stock. The Company's ownership percentage in Princeton at September 30, 2000, was approximately 42.5% (see Note 17). In March 2000, the Company completed the purchase of a voting preferred stock investment of $6.0 million in Core, a Dallas, Texas-based company that develops and markets Internet-based business-to-business products for the acquisition, classification, retention and dissemination of business-critical knowledge and information. During 2000, the Company expensed $2.5 million of in-process R&D costs acquired in connection with this equity investment. In connection with the acquisition of FIData and the investments in Princeton and Core, the Company acquired certain intangible assets, including goodwill and in-process research and development. In connection with these allocations, the Company expensed approximately $1.7 million of the purchase price for FIData and $2.5 million of each of its equity investments in Princeton and Core as in-process research and development. In performing these allocations, the Company considered the respective company's research and development projects in process at the date of acquisition, among other factors such as the stage of development of the technology at the time of investment, the importance of each project to the overall development plan, alternative future use of the technology and the projected incremental cash flows from the projects when completed and any associated risks. The in-process research and development purchased from FIData focused on next generation Internet-based automated loan approval products and banking systems and solutions. The in-process research and development purchased from Princeton focused on next generation Internet-based bill publishing and payment systems and solutions. The in-process research and development purchased from Core focused on next generation Internet-based acquisition, classification, retention and dissemination of business-critical knowledge and information. Due to their specialized nature, the in-process research and development projects had no alternative future use, either for re-deployment elsewhere in the business or in liquidation, in the event the projects failed. The Income Approach was the primary technique utilized in valuing the purchased research and development. The valuation technique employed in the appraisals was designed to properly reflect all intellectual property rights in the intangible assets, including core technology. The value of the developed technology was derived from direct sales of existing products, including their contribution to in-process research and development. In this way, value was properly attributed to the engineering know-how embedded in the existing product that will be used in developmental products. The appraisals also considered the fact that the existing A-17 know-how diminishes in value over time as new technologies are developed and changes in market conditions render current products and methodologies obsolete. The assumptions underlying the cash flow projections used were derived primarily from investment banking reports, historical results, company records and discussions with management. Revenue estimates for each in-process project were developed by management and based on an assessment of the industry. Cost of goods sold for each project is expected to be in line with historical industry accepted pricing. Due to the technological and economic risks associated with the developmental projects, discount rates of 35%, 25% and 40% were used to discount cash flows from the in-process projects for FIData, Princeton and Core, respectively. The Company believes that the foregoing assumptions used in the forecasts were reasonable at the time of the acquisition. No assurance can be given, however, that the underlying assumptions used to estimate sales, development costs or profitability, or the events associated with such projects, will transpire as estimated. For these reasons, actual results may vary from projected results. The most significant and uncertain assumptions relating to the in-process projects relate to the projected timing of completion and revenues attributable to each project. NOTE 8. SPECIAL CHARGES During 2000, the Company recognized special charges in the amount of $2.2 million. Special charges related primarily to the $1.7 million of in-process research and development costs acquired in connection with the acquisition of FIData (see Note 7). NOTE 9. SHARE CAPITAL On July 10, 1996, the Company, upon authorization by its Board of Directors, adopted a Shareholder Rights Plan ("Rights Plan") and declared a dividend of one preferred share purchase right on each share of its outstanding common stock. The rights will become exercisable if a person or group acquires 15% or more of the Company's common stock or announces a tender offer, the consummation of which would result in ownership by a person or group of 15% or more of the Company's common stock. These rights, which expire on July 10, 2006, entitle stockholders to buy one ten-thousandth of a share of a new series of participating preferred shares at a purchase price of $130 per one ten-thousandth of a preferred share. The

Rights Plan was designed to ensure that stockholders receive fair and equal treatment in the event of any proposed takeover of the Company. No cash dividends were paid on the Company's common stock during fiscal 2000, 1999 or 1998. NOTE 10. STOCK OPTIONS AND STOCK PURCHASE WARRANTS The Company has adopted the New Century Equity Holdings Corp. 1996 Employee Comprehensive Stock Plan ("Comprehensive Plan"), formerly known as the BCC 1996 Employee Comprehensive Stock Plan, and the New Century Equity Holdings Corp. 1996 Non-Employee Director Plan ("Director Plan"), formerly known as the BCC 1996 Non-Employee Director Plan, under which officers and employees, and non-employee directors, respectively, of the Company and its affiliates are eligible to receive stock option grants. Employees of the Company also are eligible to receive restricted stock grants under the Comprehensive Plan. The Company has reserved 14,500,000 and 1,300,000 shares of its common stock for issuance pursuant to the Comprehensive Plan and Director Plan, respectively. Under each plan, options vest and expire pursuant to individual award agreements; however, the expiration date of unexercised options may not exceed ten years from the date of grant under the Comprehensive Plan and five and seven years for automatic and discretionary grants, respectively, under the Director Plan. For those employees who became Platinum employees in connection with the Transaction, the Company offered two elections to amend their options. Under the first election, as long as the employee did not voluntarily terminate employment with Platinum within six months of the date of the Transaction, all vested options at the time of the Transaction remain exercisable for eighteen months subsequent to the Transaction. All unvested options at the time of the Transaction shall vest six months subsequent to the Transaction and shall remain exercisable for one year from such vesting date. Under the second election, as long as the employee remained a Platinum employee, their vesting options continued to vest according to their vesting schedule and remain exercisable through the expiration date as defined in the respective agreement. The compensation expense related to the amendment of the vesting periods was minimal. A-18 Option activity for the years ended September 30, 2000, 1999 and 1998 is summarized as follows: NUMBER OF WEIGHTED AVERAGE SHARES EXERCISE PRICE ------ -------------- Outstanding, September 30, 1997... 5,690,187 $ 10.27 Granted... 2,049,821 $ 10.65 Canceled... (234,051) $ 17.01 Exercised.. (1,506,283) $ 4.96 ---------- Outstanding, September 30, 1998... 5,999,674 $ 11.46 Granted.. 3,069,139 $ 6.18 Canceled... (620,001) $ 15.72 Exercised.. (467,643) $ 10.33 ---------- Outstanding, September 30, 1999... 7,981,169 $ 9.53 Granted... 1,646,780 $ 4.40 Canceled... (1,177,435) $ 8.21 Exercised.. (54,495) $ 4.07 ---------- Outstanding, September 30, 2000... 8,396,019 $ 8.74 =========== At September 30, 2000, 1999 and 1998, stock options to purchase an aggregate of 5,456,155, 3,273,766 and 2,068,374 shares were exercisable and had weighted average exercise prices of $10.15, $10.89 and $10.29 per share, respectively. Stock options outstanding and exercisable at September 30, 2000, were as follows: OPTIONS OUTSTANDING OPTIONS EXERCISABLE -- ------------------------------- RANGE OF WEIGHTED AVERAGE WEIGHTED WEIGHTED EXERCISE NUMBER REMAINING AVERAGE NUMBER AVERAGE PRICES OUTSTANDING LIFE (YEARS) EXERCISE PRICE EXERCISABLE EXERCISE PRICE ------------------ ------------- ---------------- -------------- ----------- -------------- $1.98 - $6.95 3,583,923 5.7 $ 4.42 1,376,882 $ 4.42 $8.06 - $9.97 2,501,096 3.0 $ 8.42 2,016,895 $ 8.31 $10.19 - $16.84 2,271,000 2.9 $ 15.62 2,032,378 $ 15.63 $17.44 - $29.00 40,000 3.3 $ 26.11 30,000 $ 25.15 ----------- ------------ 8,396,019 4.0 $ 8.74 5,456,155 $ 10.15 =========== ========= The Company has adopted SFAS No. 123, "Accounting for Stock-Based Compensation," but has elected to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans as allowed under SFAS No. 123. Accordingly, the Company has not recognized compensation expense for stock options granted where the exercise price is equal to the market price of the underlying stock at the date of the grant. During fiscal year 2000, 1999 and 1998, the Company recognized $240,000, $255,000 and $726,000, respectively, of compensation expense for options granted below the market price of the underlying stock on such measurement date. In addition, in accordance with the provisions of APB Opinion No. 25, the Company has not recognized compensation expense for employee stock purchases under the New Century Equity Holdings Corp. Employee Stock Purchase Plan ("ESPP"), formerly known as the Billing Concepts Corp. Employee Stock Purchase Plan. Had compensation expense for the Company's stock options granted and ESPP purchases in 2000, 1999 and 1998 been determined based on the fair value at the grant dates consistent with the methodology of SFAS No. 123, pro forma net income (loss) and net income (loss) per common share would have been as follows (in thousands, except per share amounts): YEAR ENDED SEPTEMBER 30, ------------------------------------ 2000 1999 1998 ---- ---- ---- Pro forma net income (loss) $ (47,128) $ 12,146 $ 23,533 Pro forma net income (loss) per common share: Basic $ (1.18) $ 0.33 $ 0.66 Diluted $ (1.18) $ 0.33 $ 0.66 A-19 The fair value for these options was estimated at the respective grant dates using the Black-Scholes option-pricing model with the following weighted-average assumptions: YEAR ENDED SEPTEMBER 30, --------------------------------- 2000 1999 1998 ---- ---- ---- Expected volatility................................ 77% 66% 25% Expected dividend yield............................ 0% 0% 0% Expected life...................................... 2.5 years 2.5 years 2.5 years Risk-free interest rate............................ 5.95% 5.35% 5.21% The weighted average fair value and weighted average exercise price, respectively, of options granted where the exercise price was equal to the market price of the underlying stock at the grant date were $2.58 and $4.09 for the year ended September 30, 2000, $3.56 and $6.18 for the year ended September 30, 1999, and $2.29 and $10.65 for the year ended September 30, 1998. For purposes of the pro forma disclosures, the estimated fair value of options is amortized to pro forma compensation expense over the options' vesting periods. Warrants to purchase 201,252 shares of common stock were exercised in fiscal 1998. There were no warrants outstanding at September 30, 1999 and 2000. NOTE 11. INCOME TAXES The income tax benefit is comprised of the following: YEAR ENDED SEPTEMBER 30, --------------------------- 2000 1999 1998 ---- ---- ---- (IN THOUSANDS) Current: Federal.. $ 4,460 $ 1,898 $ 1,171 State.. 255 108 67 ---------- --------- --------- Total.. $ 4,715 $ 2,006 $ 1,238 ========== ========= ========= The income tax benefit for fiscal 2000, 1999 and 1998 differs from the amount computed by applying the statutory federal income tax rate of 35% to loss from continuing operations before income tax benefit. The reasons for these differences were as follows: YEAR ENDED SEPTEMBER 30, -------------------------- 2000 1999 1998 ---- ---- ---- (IN THOUSANDS) Computed income tax benefit at statutory rate....................................... $ 10,953 $ 2,531 $ 1,871 Increases in taxes resulting from: Nondeductible in-process research and development expenses.......................... (2,333) - (700) Nondeductible losses in equity affiliates.. (3,524) (633) - Nondeductible goodwill amortization.. (471) - - State income taxes, net of federal benefit... 255 108 67 Other, net.. (165) - - ---------- --------- --------- Income tax benefit... $ 4,715 $ 2,006 $ 1,238 ========== ========= ========= The tax effect of significant temporary differences, which comprise the deferred tax liability, is as follows: SEPTEMBER 30, ----------------- 2000 1999 ---- ---- (IN THOUSANDS) Deferred tax asset: Loss carry forward $ 2,823 $ - Deferred tax liability: Estimated tax due on gain on disposal of discontinued operations..................... (5,629) - ------------- --------- Net deferred tax liability.. $ (2,806) $ - ============= ========= A-20 NOTE 12. BENEFIT PLANS The New Century Equity Holdings Corp. 401(k) Retirement Plan (the "Retirement Plan"), formerly known as the Billing Concepts Corp. 401(k) Retirement Plan, was assumed by Platinum in connection with the Transaction. During 2000, employees who will continue to be employees of the Company subsequent to the Transaction were eligible to participate in the Retirement Plan (see Note 18). In November 2000, the Company established the New Century Equity Holdings Corp. 401(k) Plan (the "Plan"), formerly known as the Billing Concepts Corp. 401(k) Plan, for eligible employees of the Company. Generally, all employees of the Company who are at least 21 years of age and who have completed one-half year of service are eligible to participate in the Plan. The Plan is a defined contribution plan, which provides that participants generally may make voluntary salary deferral contributions, on a pretax basis, between 1% and 15% of their compensation in the form of voluntary payroll deductions, up to a maximum amount as indexed for cost-of-living adjustments. The Company will match a participant's salary deferral, up to 5% of a participant's compensation. The Company may make additional discretionary contributions. The New Century Equity Holdings Corp. Employee Stock Purchase Plan ("ESPP"), formerly known as the Billing Concepts Corp. Employee Stock Purchase Plan, which was established under the requirements of Section 423 of the Internal Revenue Code of 1986, as amended, is offered to eligible employees of the Company. The Company has reserved 2,000,000 shares of its common stock for issuance pursuant to the ESPP. The ESPP enables employees who have completed at least six months of continuous service with the Company to purchase shares of BCC's common stock at a 15% discount through voluntary payroll deductions. The purchase price is the lesser of 85% of the closing price of the common stock on the opening date of each participation period or 85% of the closing price of the common stock on the ending date of each participation period. The Company issued 46,000, 45,232 and 6,863 shares of its common stock in January, July and September 2000 pursuant to the ESPP at purchase prices of $4.99, $3.72 and $2.71, respectively. The Company issued 41,326 and 56,360 shares of its common stock in January and July 1999 pursuant to the ESPP at purchase prices of $8.55 and $6.06, respectively. The Company issued 14,659 and 27,561 shares of its common stock in January and July 1998 pursuant to the ESPP at purchase prices of $15.99 and $11.32, respectively. NOTE 13. COMMITMENTS AND CONTINGENCIES A lawsuit was filed on December 31, 1998, in the United States District Court in San Antonio, Texas by an alleged stockholder of the Company against the Company and various of its officers and directors, alleging unspecified damages as a result of alleged false statements in various press releases prior to November 19, 1998. In September 1999, the U.S. District Court for the Western District of Texas entered an order and judgment dismissing the plaintiff's lawsuit. The plaintiff noticed an appeal of that decision on September 29, 1999. In November 2000, the United States Court of Appeals for the Fifth Circuit dismissed the appeal pursuant to a stipulation of the parties and settlement. As previously disclosed, the Company has been engaged in discussions with the staff of the Federal Trade Commission's ("FTC") Bureau of Consumer Protection regarding a proposed complaint by the FTC alleging potential liability arising primarily from the alleged cramming of charges for non-regulated telecommunication services by certain of its customers. Cramming is the addition of charges to a telephone bill for programs, products or services the consumer did not knowingly authorize. These allegations relate to businesses conducted by the subsidiaries sold by the Company on October 23, 2000. Management cannot assess either the likelihood that this matter will have an adverse financial impact on the Company or the extent of any such impact. The Company is involved in various other claims, legal actions and regulatory proceedings arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims, litigation or proceedings to which the Company is a party will have a material adverse effect on the Company's financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations for the fiscal period in which such resolution occurs. NOTE 14. RELATED PARTIES From time to time, the Company has made advances to or was owed amounts from certain officers of the Company. The highest aggregate amount outstanding of advances to officers during the years ended September 30, 2000 and 1999 was $252,000. The Company had a $50,000 note receivable bearing interest at 10.0% from an officer of the Company at September 30, 2000. The Company had a $69,000 note receivable bearing interest at 7.0% from an officer of the Company at September 30, 1999. On January 4, 2000, the Company forgave a certain note receivable from an officer of the Company with a principal balance and accrued interest totaling approximately $70,000, in lieu of a cash bonus. On April 4, 2000, the Company forgave a certain note receivable from an officer of the Company with a principal balance and accrued interest totaling approximately $133,000, in lieu of a cash bonus. A-21 On April 5, 2000, the Board of Directors of the Company approved a restricted stock grant to the Chief Executive Officer of the Company. The restricted stock consists of 400,000 shares of Princeton common stock, which vests on April 30, 2003. The Company expenses the fair market value of the restricted stock grant over the three-year period ending April 30, 2003. The Company recognized $0.3 million during fiscal 2000 as compensation expense related to the stock grant. The Company estimates it will recognize $0.5 million as compensation expense related to the stock grant in 2001. The Company chartered a jet airplane from a company associated with an officer/director of the Company. Under the terms of the charter agreement, the Company was obligated to pay annual minimum fees of $500,000 over the five years ending March 31, 2003 for such charter services. During the fourth quarter of 2000, the Company terminated this contract with no future obligations. During the years ended September 30, 2000 and 1999, the Company paid approximately $615,000 and $727,000, respectively, in fees related to this agreement. During 1999, the Company entered into an agreement to guarantee the terms of a lease of Princeton (see Note 5) for office space in Princeton, New Jersey. The terms of the lease require aggregate payments of approximately $10.7 million through December 2009. This guarantee terminates should Princeton raise $25 million of capital through a public offering. The Company does not believe it is probable that the lease guarantee will be exercised. NOTE 15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) In thousands, except per share amounts QUARTER ENDED ------------ SEPTEMBER 30, JUNE 30, MARCH 31, DECEMBER 31, 2000 2000 2000 1999 ---- ---- ---- ---- Operating revenues.. $ 173 $ 109 $ 97 $ 31 Loss from continuing operations................................ (2,342) (3,572) (5,046) (5,343) Net loss from continuing operations............................ (5,544) (5,929) (10,003) (5,103) Net income (loss) from discontinued operations................. (1,010) (3,128) (3,870) 1,443 Net loss from disposal of discontinued operations.............. (9,277) - - - Net loss... (15,831) (9,057) (13,873) (3,660) Net loss from continuing operations per common share - basic and diluted.. ($0.13) ($0.14) ($0.26) ($0.14) Net loss from discontinued operations per common share - basic and diluted... ($0.02) ($0.08) ($0.10) $0.04 Net loss from disposal of discontinued operations per common share - basic and diluted.................................... ($0.23) - - - Net loss per common share - basic and diluted.................. ($0.38) ($0.22) ($0.36) ($0.10) QUARTER ENDED ------------- SEPTEMBER 30, JUNE 30, MARCH 31, DECEMBER 31, 1999 1999 1999 1998 ---- ---- ---- ---- Operating revenues.. $ - $ - $ - $ - Loss from continuing operations................................ (1,898) (1,247) (1,229) (1,047) Net loss from continuing operations............................ (1,798) (1,222) (1,344) (860) Net income from discontinued operations........................ 2,478 3,509 7,195 7,864 Net income... 680 2,287 5,851 7,004 Net loss from continuing operations per common share - basic and diluted.. ($0.05) ($0.03) ($0.04) ($0.02) Net income from discontinued operations per common share - basic and diluted... $0.07 $0.09 $0.20 $0.21 Net income per common share - basic and diluted................. $0.02 $0.06 $0.16 $0.19 A-22 NOTE 16. BUSINESS SEGMENTS Subsequent to the Transaction, the Company conducts operations in the Internet segment only. The Company's Internet segment provides Internet-based automated loan approval products to the financial services industries. In 2000, 1999 and 1998, the Company had no foreign operations. In addition, the Company had no single customer that accounted for more than 10% of the Company's consolidated operating revenues. The Company has an approximate 42.5% equity interest in Princeton, a privately held company specializing in comprehensive electronic bill presentment and payment services via the Internet and telephone to financial institutions and large businesses. The Company also has a 22% equity interest in Core, a privately held company that develops and markets Internet-based business-to-business products for the acquisition, classification, retention and dissemination of business-critical knowledge and information. NOTE 17. SUMMARIZED FINANCIAL INFORMATION FOR UNCONSOLIDATED SUBSIDIARY The Company accounts for its investment in Princeton under the equity method. The Company's ownership percentage in Princeton was 42.5% and 24% as of September 30, 2000 and 1999, respectively. As the Company records the equity in net loss of Princeton on a three-month lag, the unaudited summarized financial information for Princeton as of June 30, 2000 is presented in the table below (in thousands). JUNE 30, 2000 JUNE 30, 1999 ------------- ------------- Current assets............................ $ 14,676 $ 8,465 Non-current assets....................... 11,944 3,309 Current liabilities....................... 12,626 12,919 Non-current liabilities.................. 2,282 265 FOR THE TWELVE MONTHS ENDED, JUNE 30, 2000 JUNE 30, 1999 ------------- ------------- Total revenues........................... $ 8,078 $ 4,583 Gross profit............................. 1,980 2,326 Loss from operations..................... (20,143) (5,228) Net loss................................ (20,097) (5,240) During the quarter ended September 30, 2000, Princeton completed a $34 million equity financing from a group of investors. The unaudited summarized financial information for Princeton as of September 30, 2000, which reflects the equity financing, is presented below (in thousands). SEPTEMBER 30, 2000 ------------------ Current assets............................ $ 38,703 Non-current assets....................... 12,894 Current liabilities....................... 15,660 Non-current liabilities.................. 185 As an amendment to this 10-K, Princeton's full financial statements will be provided by March 2001. A-23 NOTE 18. DISCONTINUED OPERATIONS The following table shows the balance sheets of the Transaction Processing and Software divisions, as they were reported as discontinued operations: ASSETS SEPTEMBER 30, (IN THOUSANDS) 2000 1999 ---- ---- Current assets: Cash and cash equivalents... $ 102,157 $ 133,768 Accounts receivable, net of allowance for doubtful accounts of $4,627 (2000) and $1,662 (1999)....... 27,173 42,834 Purchased receivables.. 16,213 31,375 Prepaids and other.. 1,257 3,677 ----------- ----------- Total current assets... 146,800 211,654 Property and equipment.. 52,242 45,648 Less accumulated depreciation.. (29,652) (19,973) ----------- ----------- Net property and equipment.. 22,590 25,675 Other assets, net of accumulated amortization of $5,526 (2000) and $4,013 (1999)..................... 24,755 8,029 ----------- ----------- Total assets.. $ 194,145 $ 245,358 =========== =========== LIABILITIES Current liabilities: Trade accounts payable.. $ 15,926 $

21,298 Accounts payable - billing customers.. 104,856 90,089 Accrued liabilities.. 24,642 27,612 ----------- ----------- Total current liabilities.. 145,424 138,999 Other liabilities... 292 692 Deferred income taxes... 1,643 1,971 ----------- ----------- Total liabilities.. $ 147,359 $ 141,662 =========== =========== The following table shows the operating results of the Transaction Processing and Software divisions: FOR THE YEAR ENDED SEPTEMBER 30, ------------------- (IN THOUSANDS) 2000 1999 1998 ---- ---- ---- Transaction Processing revenues.. $ 113,085 $ 135,403 $ 147,542 Software revenues... 31,522 45,921 28,481 ----------- --------- ---------- Total revenues.. 144,607 181,324 176,023 Cost of revenues.. 100,010 109,519 108,178 ----------- ---------- ---------- Gross profit.. 44,597 71,805 67,845 Selling, general and administrative expenses... 34,911 29,996 19,696 Research and development... 11,763 5,725 3,277 Advance funding program income, net.. (1,856) (3,673) (7,793) Depreciation and amortization expense.. 11,273 9,286 7,055 Special charges.. 1,216 1,529 - ----------- ---------- ---------- Income (loss) from discontinued operations... (12,710) 28,942 45,610 Other income (expense): Interest income... 6,381 5,805 4,460 Interest expense.. (33) (16) (269) Other, net.. (432) (100) 244 ----------- ---------- ---------- Total other expense, net... 5,916 5,689 4,435 ----------- ---------- ---------- Income (loss) from discontinued operations before income tax expense (benefit)......... (6,794) 34,631 50,045 Income tax expense (benefit).. 229 (13,585) (19,233) ----------- ---------- ---------- Net loss from discontinued operations.. $ (6,565) $ (21,046) $ 30,812 =========== ========== ========== A-24 REVENUE RECOGNITION POLICIES The Company recognized revenue from its Transaction Processing services when records that were to be billed and collected by the Company were processed. Revenue from the sale of convergent billing systems, including the licensing of software rights, was recognized at the time the product was delivered to the customer, provided that the Company had no significant related obligations or collection uncertainties remaining. If there were significant obligations related to the installation or development of the system delivered, revenue was recognized in the period that the Company fulfilled the obligation. Service revenues related to the Software division were recognized in the period that the services were provided. The Company recorded bad debt expense of $6,801,000, $1,774,000 and $292,000 and recorded bad debt expense write-offs of $3,836,000, $486,000 and $56,000 to its allowance for doubtful accounts for 2000, 1999 and 1998, respectively, LEASES The Company leased certain equipment and office space under operating leases for discontinued operations. Rental expense was $4,727,000, $3,918,000 and $2,948,000 for fiscal years 2000, 1999 and 1998, respectively. Under the terms of the Transaction, all leases associated with Transaction Processing and Software divisions were assumed by Platinum. The Company guaranteed two of the operating leases of the divested divisions. Management does not believe that the guarantee will be exercised. ACQUISITIONS In October 1998, the Company acquired Expansion Systems Corporation ("ESC"), a privately held company headquartered in Glendale, California that develops and markets billing and registration systems to Internet Service Providers under its flagship products TOTALBILL and INSTANTREG. An aggregate of 170,000 shares of the Company's common stock was issued in connection with this transaction, which has been accounted for as a pooling of interests. The consolidated financial statements for periods prior to the combination have not been restated to include the accounts and results of operations of ESC due to the transaction not having a significant impact on the Company's prior period financial position or results of operations as none of ESC's assets, liabilities, revenues, expenses or income (loss) exceeded 2% of the Company's consolidated respective amounts as of or for any of the three years in the period ended September 30, 1998. In December 1998, the Company completed the merger of Communications Software Consultants, Inc. ("CommSoft") in consideration of 2,492,759 shares of the Company's common stock. CommSoft was a privately held, international software development and consulting firm specializing in the telecommunications industry. The business combination has been accounted for as a pooling of interests. The consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of CommSoft. The revenues and net income for CommSoft from October 1, 1998 to the date of the merger were approximately $3.8 million and $0.4 million, respectively. In April 2000, the Company completed the acquisition of Operator Service Company ("OSC"), a Lubbock, Texas-based provider of inbound directory assistance, interactive voice response and customer relationship management services to the telecommunications and consumer products industries. The Company acquired OSC through the issuance of 3.8 million shares of common stock, of which 0.7 million shares were held in escrow until achievement of a certain level of earnings. This acquisition is accounted for under the purchase method of accounting. Accordingly, the results of operations of OSC have been included in the Company's consolidated financial statements, and the shares related to the acquisition have been included in the weighted average shares outstanding for purposes of calculating net loss per common share since the date of acquisition. A portion of the total purchase price of $19.2 million has been allocated to assets acquired and liabilities assumed based on estimated fair market value at the date of acquisition. The additional balance of $17.1 million was recorded as goodwill and is being amortized over twenty years on a straight-line basis. In connection with the Transaction, the 0.7 million shares held in escrow were released. SPECIAL CHARGES During the second quarter of fiscal 2000, the Company recognized special charges in the amount of $1.2 million related to severance related costs. During the third quarter of 2000, the Company recorded a $3.5 million charge related to the Software division. The charge was a result of the narrowing of various software product offerings, the refocusing of software development efforts and a reserve associated with a significant customer account. A-25 BENEFIT PLANS Participation in the Retirement Plan was offered to eligible employees of the Company. Generally, all employees of the Company who were 21 years of age or older and who had completed six months of service during which they worked at least 500 hours were eligible for participation in the Retirement Plan. The Retirement Plan was a defined contribution plan which provided that participants generally make voluntary salary deferral contributions, on a pretax basis, of between 1% and 15% of their compensation in the form of voluntary payroll deductions up to a maximum amount as indexed for cost-of-living adjustments. The Company made matching contributions as a percentage determined annually of the first 5% of a participant's compensation contributed as salary deferral. The Company could have made additional discretionary contributions. No discretionary contributions were made in fiscal 2000, 1999 or 1998. During 2000, 1999 and 1998, the Company's matching contributions to this plan totaled approximately $894,000, $635,000 and $392,000, respectively. NOTE 19. SUBSEQUENT EVENTS (UNAUDITED) In November 2000, the Board of Directors announced that the Company had completed the $10 million treasury stock repurchase program and approved an additional common stock repurchase program of up to $5 million. In December 2000, the Board of Directors announced that the Company had completed the $5 million treasury stock repurchase program and approved an additional common stock repurchase program of up to $10 million. Under the terms of the program, the Company may purchase common stock in the open market or in privately negotiated transactions. As of December 15, 2000, the Company had purchased $16.1 million, or 5.8 million shares, of treasury stock. In December 2000, the Board of Directors approved a change in the fiscal year of the Company from September 30 to December 31. This change becomes effective with the calendar year beginning January 1, 2001. In February 2001, the Company changed its name to New Century Equity Holdings Corp. and began trading under its new Nasdaq National Market symbol, NCEH. A-26 APPENDIX "B" NEW CENTURY EQUITY HOLDINGS CORP. (FORMERLY KNOWN AS BILLING CONCEPTS CORP.) AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER I. PURPOSE The primary function of the Audit Committee of New Century Equity Holdings Corp. (Corporation) is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation's Systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to: Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system. Review and appraise the audit efforts of the Corporation's independent accountants. Provide an open avenue of communication among the independent accountants, financial and senior management and the Board of Directors. The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter. II. COMPOSITION The

Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Any of the following would be considered to impair a director's independence: o A director who is an employee or has been an employee during the past three years. o A director who accepts compensation in excess of $60,000 from the Corporation or any of its affiliates during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation. o A director who is a partner in, a controlling shareholder or executive officer of any for-profit business organization to which the Corporation made or received payments in any of the past three years that exceed 5% of the Corporation's or business organization's consolidated gross revenues for that year, or $200,000, whichever is greater. Payments resulting solely from investments in the Corporation's securities need not be considered for this purpose. o A director who is employed as an executive of another corporation where any of the Corporation's executives serve on that corporation's compensation committee. o A director who is an immediate family member of an individual who has been an executive officer of the Corporation or its affiliates during the past three years. All members of the Committee shall be financially literate, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. B-1 The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. III. MEETINGS The Committee shall meet at least three times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should be available as requested by the independent accountants or management to discuss any issues related to the Corporation's quarterly financials prior to filing its Form 10-Q. IV. RESPONSIBILITIES AND DUTIES To fulfill its responsibilities and duties the Audit Committee shall: DOCUMENTS/REPORTS REVIEW 1. Review and update this Charter periodically, at least annually, as conditions dictate. 2. Review the Corporation's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent accountants. INDEPENDENT ACCOUNTANTS 3. Recommend to the Board of Directors the selection of the independent accountants, and review the scope of work to be performed by the independent accountants in connection with both the annual audit and the quarterly reviews. On an annual basis, the Committee should review and discuss with the accountants all significant relationships the accountants have with the Corporation to determine the accountants' independence. 4. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant. 5. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the Corporation's financial statements. FINANCIAL REPORTING PROCESSES 6. In consultation with the independent accountants, review the integrity of the organization's financial reporting processes, both internal and external. 7. Consider the independent accountants' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting. 8. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants or management. PROCESS IMPROVEMENT 9. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments. B-2 10. Following completion of the annual audit, review with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information. 11. Review any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements. 12. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.) ETHICAL AND LEGAL

COMPLIANCE 13. Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. 14. Review management's monitoring of the Corporation's compliance with the Corporation's Ethical Code, and ensure that management has the proper review system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public, satisfy legal requirements. 15. Review, with the Corporation's counsel, legal compliance matters including corporate securities trading policies. 16. Review with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements. 17. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate. B-3 NEW CENTURY EQUITY HOLDINGS CORP. PROXY--ANNUAL MEETING OF STOCKHOLDERS--MAY 15, 2001 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS PLEASE MARK, SIGN, DATE AND RETURN IN THE ENCLOSED ENVELOPE The undersigned stockholder(s) of New Century Equity Holdings Corp. (the "Company") hereby appoint(s) Parris H. Holmes, Jr. and David P. Tusa, or each of them, proxies of the undersigned with full power of substitution to vote at the Annual Meeting of Stockholders of the Company to be held on Tuesday, May 15, 2001, at 9:30 a.m., Central Standard Time, at the Oak Hills Country Club, 5403 Fredericksburg Road, San Antonio, Texas, and at any adjournment thereof, the number of votes which the undersigned would be entitled to cast if personally present: 1. ELECTION OF DIRECTORS / / FOR the nominee listed below / / WITHHOLD AUTHORITY to vote for the nominee listed below 2004 CLASS--TERM EXPIRING AT 2004 ANNUAL MEETING: LEE COOKE 2. PROPOSAL TO RATIFY THE APPOINTMENT OF ARTHUR ANDERSEN LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2001. / / FOR / / AGAINST / / ABSTAIN (CONTINUED AND TO BE SIGNED AND DATED ON REVERSE SIDE) (CONTINUED FROM OTHER SIDE) 3. To consider and act upon any other matter which may properly come before the meeting or any adjournment thereof. / / FOR / / AGAINST / / ABSTAIN The above items of business are more particularly described in the Proxy Statement dated April 2, 2001, relating to such meeting, receipt of which is hereby acknowledged. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREON BY THE UNDERSIGNED STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEE LISTED IN PROPOSAL 1, FOR RATIFICATION OF THE APPOINTMENT OF ARTHUR ANDERSEN LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS UNDER PROPOSAL 2, AND IN THE DISCRETION OF THE PROXIES WITH RESPECT TO ANY OTHER MATTER THAT IS PROPERLY PRESENTED AT THE MEETING. ________________________________ ________________________________ Signature(s) of Shareholder(s) Please sign your name exactly as it appears hereon. Joint owners must each sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as it appears hereon. Dated _____________________, 2001